

Admission	Sch. 20	Indonesia	Rp 3100	Philippines	Pes 200
Bahamas	Dm 0.550	Israel	₪ 3.50	Portugal	Esc 100
Belgium	Bfr 45	Italy	L 1500	Arabia	Rs 5.000
Canada	C\$ 0.60	Japan	¥ 1500	Singapore	S\$ 4.10
Ceylon	C\$ 0.75	Jordan	Jds 500	Spain	Pes 125
Denmark	Dkr 3.00	Kuwait	Kds 500	Switzerland	Sfr 2.20
Egypt	E£ 1.50	Lebanon	L£ 500	Taiwan	Nt 500
Finland	Fmk 7.00	Malaysia	RM 4.25	Thailand	Thb 500
France	Ffr 5.50	Mexico	Ps 350	Turkey	Lira 1.500
Germany	Dm 2.20	Norway	Nkr 3.00	U.S.A.	\$ 1.00
Greece	Dr 80	Poland	Pln 3.00		
Hong Kong	HK\$ 12	Portugal	Pes 200		
India	Rs 15	Sweden	Skr 3.00		

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Monday February 2 1987

No. 30,149

D 8523 B

Cory Aquino takes  
the people's  
test, Page 18

## World news

### Tamils say police shot 200 civilians

Tamil spokesmen in Batticaloa, capital of Sri Lanka's Eastern Province, claim that 200 civilians, mostly Tamils, were killed in a four-day operation by a special police commando task force.

Sri Lanka's Government says the charge is a "wild allegation" and that only four civilians died in fighting which left 40 terrorists and 13 policemen dead. Page 3

### Reagan aide resigns

President Reagan's chief political adviser, Mr. Mitchell Daniels, 37, has resigned to join a research institute. Mr. Daniels has called for White House chief of staff Mr. Donald Regan to step down over the Iran arms scandal.

### Israeli-Soviet talks

Israel's Foreign Ministry said it held talks last month with Soviet officials in Washington which dealt with the relaxation of export restrictions on Soviet Jews and on possible Soviet participation in a Middle East peace conference.

### Radioactive milk ban

The West German Government is likely to stop the planned export to Third World countries of 3,000 tonnes of milk powder contaminated by radioactive fallout from the Chernobyl nuclear reactor disaster. Page 2

### Karachi rioters shot

Karachi police fired at more than 1,000 demonstrators throwing bombs at a police station, killing at least two people and wounding 30, bringing to eight the death toll in four days of rioting.

### Genoa paralysed

The port of Genoa was paralysed as dock workers staged wildcat strikes following last week's accord between the port authority and seamen's union leaders over 5% pay rises. Page 4

### Iran explosion

A bomb exploded outside the Iranian embassy in Kabul, capital of Afghanistan, killing four people, including two children, Kabul radio said.

### Greek earthquake

An earthquake measuring 5.1 on the Richter scale hit the southern tip of the Greek Peloponnese islands but caused neither casualties nor damage.

### W. Berlin raid

West Berlin police raided a political meeting in a city bar and arrested 48 people for allegedly breaking an Allied military law banning the propagation of the aims of the Nazi party. The 48 were later released.

### Fishing zone imposed

UK defence officials reported no incidents in the South Atlantic following the imposition of a 150-mile fish conservation zone around the Falkland Islands.

### Israeli bus bombed

At least nine people were injured when a bomb exploded aboard an inter-city bus near Hadera in northern Israel.

### Hotel fire kills 17

Fire swept through a hotel in the south Taiwan city of Kaohsiung, killing 17 people and injuring 13.

### Skier vanishes

Rescuers combed the Mont Blanc area for a 36-year-old Briton who went skiing alone in the Chamonix valley on Thursday but had not been seen since.

### Bargain fare

Dutch carrier Transavia Airlines has asked permission from the Civil Aviation Authority to introduce an economy return fare between Amsterdam and London of £116, which it says is £30 less than the current fare.

## Business summary

### UK picks GEC for Indian project

GEC, UK engineering and electronics group, has been chosen to lead a consortium of British companies which hopes to build the second stage of the Bhand power station in northern India at a cost of around £300m (\$454). Page 3

### BANK OF ENGLAND

has been buying large amounts of gilt-edged stocks on the assumption that the UK Public Sector Borrowing Requirement will be substantially below the £7.1bn (\$10.9bn) budgeted. Page 28

### EUROPEAN Monetary System

A stronger dollar and a cut in the West German discount rate helped to underpin weaker members of the EMS last week. The Irish punt remained the weakest currency while the Belgian franc, traditionally one of the weakest members, showed useful gains. The Bundesbank had intervened on a small scale during the early part of the week to support the dollar, but the US unit's main impetus came from Friday's better than expected US trade figures.

### EMS Jan 30, 1987



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the Irish) may move more than 2 1/2 per cent. The lower chart gives each currency's divergence from its 'central rate' against the European Currency Unit (ECU), itself a basket of European currencies.

### TOKYO: Nikkei index

fell 24.8 in Saturday's half-day session after seven days of advances. It closed at 20,023.55. Leading share prices, Page 35

### UK GOVERNMENT bond turnover

has slumped to about £1.8bn (\$2.46bn) since Big Bang deregulation on October 27. Page 8

### INDONESIA: Finance Minister

Rachis Prawiro said the Government would not reschedule its \$30bn foreign debt but instead seek concessional finance to lessen the country's debt burden. Page 4

### MONTEDISON, Italian chemicals,

energy and pharmaceuticals group, announced an R1 per cent increase in gross operating profits for 1986 to L1,600bn (\$1.2bn). Page 23

### FRENCH WINE: Britain has over-

taken the US as the world's leading importer. About 45 per cent of wine bought in the UK comes from France, 30 per cent from Italy and 7 per cent from Spain.

### NEW ZEALAND entrepreneur Ron

Ariety has entered the battle for control of Resorts International, the \$950m Atlantic City casino business. Page 23

### TEXAS billionaire H. Ross Perot,

founder of Electronic Data Systems, has joined Steve Jobs, founder and former chairman of Apple Computer, as an 'investment partner' in Jobs' new venture, Next, developing high performance workstations for colleges. Page 23

### BANCO de Vizcaya, Spain's fifth

largest commercial bank, is paying a sharply higher dividend on net profits that increased by 37.5 per cent last year to Pta 18.1bn (\$12m). Page 23

## Kidnappings leave West Beirut haunted by fear and gloom

BY NORA BOUSTANY IN BEIRUT

A BRITISH woman friend, no longer confident that she can reason her way out of any hair-raising situation in West Beirut with its wholesale kidnappings and a maddening collapse of all sense of order, summed up the atmosphere in the Lebanese capital with: "Thinking has been suspended."

Strong reports that the special envoy of the Archbishop of Canterbury, Mr. Terry Waite, is being detained by the captors of kidnap victims he was tirelessly trying to free capped 10 days of a darkening mood. Nine foreign nationals, including a French journalist, a Saudi diplomat, two West Germans, three Americans and an Indian, have been kidnapped at gunpoint since Mr. Waite arrived in Beirut to resume his humanitarian mission.

The attempted kidnapping of a Swiss relief worker delivering supplies to the Shia southern suburbs last week sent shudders down the spine of a handful of plucky Western women, who believed they were immune to such attacks in a predominantly Moslem society.

"I find it very hard to believe they would kidnap women. But for the first time, there is that nagging doubt in the back of my mind, and I know the fear that drove my male friends out long ago," a British female journalist conceded. "A lurking gunman guarding a street corner petrifies me now while I accepted it as part of the scenery only one month ago," she said.

Grey, hazy weather, the lingering stench of uncollected garbage and marauding gunmen whose affiliation or motives are no longer easy to discern contribute to a feeling of uneasiness in the streets. Power cuts, a feeling that West Beirut is on the edge of yet more apocalyptic scenes, and a sense of helplessness in their homes as they ponder whether to dig in and survive yet another crisis or abandon a city that once lured them and captivated them.

"I don't want to look over my shoulder every second of my life," complained one woman. "Even the Lebanese are nervous. They are not as much support these days as they

used to be. They are just as nervous about the bad things happening all around them," she said. Even International Red Cross workers, who became the only foreigners to be sighted at West Beirut's few restaurants and night spots, now stay home and foreign females are keeping their movements to a minimum.

"My frontline argument has always been that I am a woman," said Marylin Raschka, an American linguistics professor at the American University of Beirut, who may now have to leave in view of President Ronald Reagan's ban on US passport holders to travel to Lebanon and an order to all Americans to leave within 30 days or face prosecution.

The multiple abduction of four university professors on January 24, prompted the US Administration, as the British Government had done before, to order all US ex-

patriates. Yet another clandestine group, Islamic Jihad for the Liberation of Palestine, announced its birth last week and claimed responsibility for the on-campus kidnappings, which have triggered daily demonstrations by students protesting the injustice done to their teachers and the suspension of their courses.

As an indication of the worsening situation, Lebanon's Bagdadair, Middle East Airlines, suspended flights to and from Beirut yesterday after insurance companies lifted their cover for passengers and crew following Christian militia threats to shell Beirut International Airport.

MEA chairman Selim Salam pointed out yesterday that the airport was not officially closed but that his airline was "sad to announce that its flights would be temporarily suspended because insurance companies had suspended

policies covering passengers and crew." The decision followed reports that the Lebanese forces, the Christian militia, would shell Beirut International Airport if the opening of a new airport north of Beirut was not authorised. Moslem leaders are opposed to such a development on the grounds that it would be a partitionist move.

Christians unable to use Beirut's only airport, located in the Moslem sector, have been forced to travel by sea to Cyprus to make other connections.

The fate of Mr. Waite remained unknown despite Druze chief Wajid Jumblatt's disclosure that he had offered himself as a hostage in return for Mr. Waite's freedom. He said he had told an unnamed political party asked to help in the search for Mr. Waite to take him instead if Mr. Waite was indeed a hostage.

In London, a Church of England spokeswoman said Mr. Waite had left a letter before he flew to Lebanon saying that no ransom should

be paid and no lives risked to rescue him if he was kidnapped.

The future of missing foreign professors also appeared just as bleak yesterday after Israel had rejected their captors' demand for 400 guerrillas to be released from Israeli jails. Israel Defence Minister Yitzhak Rabin said it was "inconceivable... (that we would) arrest, put on trial and imprison thousands of guerrillas to serve as an international bank reserve that one draws on (to free) hostages."

The group calling itself Islamic Jihad for the Liberation of Palestine said on Saturday it would kill the four university lecturers if 400 prisoners were not freed from Israeli jails within a week. "We will execute them and throw their corpses on the garbage cans of Cyprus," it said.

Another statement delivered to an international news agency suggested that, if 400 prisoners, whose nationality was not specified, were flown to Damascus on a Red Cross aircraft, the four hostages would be freed. Talks on Waite's safety, Page 2

## Baker and Pöhl agree that \$ has reached 'a reasonable level'

BY LIONEL BARBER IN WASHINGTON

AFTER MONTHS of open public disagreement over economic policies and the value of the dollar Mr. James Baker, the US Treasury Secretary, and Mr. Karl Otto Pöhl, President of the West German Bundesbank, yesterday appeared to try and put their differences behind them. They attempted to calm foreign currency markets by suggesting that the present values of the dollar and D-Mark were "in line with economic fundamentals" in their two countries.

Mr. Baker stressed clear of making any comment which could be interpreted as backing a further decline in the dollar against the D-Mark and the yen. "The dollar has come down to a reasonable and orderly level," he said, denying that he and other members of his team at the US Treasury and been talking down the dollar in recent weeks.

The US Treasury Secretary added that the Reagan Administration was very pleased with West Germany's decision to cut the discount rate. "This was something we were anxious about," he said.

In the three months up to last month's West German federal elections Mr. Baker and other senior US officials repeatedly pressured Bonn to stimulate its economy through a discount rate cut. But Bonn refused to yield, thereby increasing friction between the two allies and trading partners.

Mr. Pöhl - who accused the US of "playing with fire" during last month's precipitous slump in the value of the dollar against the yen and D-Mark - was noticeably conciliatory towards the US yesterday

during the same interview on ABC television. He said that the 50 per cent devaluation of the dollar against the D-Mark since March 1985 had been a "necessary correction". He added that West Germany was aiming for lower interest rates, and cited the recent 4 per cent cut in the discount rate to 3 per cent as a sign of Bonn's willingness to meet American concerns about slow growth in the world economy.

The dollar has declined by 7.4 per cent against the D-Mark and about 4.4 per cent against the yen this year, partly prompted by leaks from Reagan Administration officials that they were not concerned about dollar devaluation.

The leaks were largely influenced by political motives, notably concern about the record US trade deficit, which reached almost \$170bn in 1986, fuelling protectionist pressures.

Last week, however, the Commerce Department reported a substantial improvement in the December 1986 trade figures, which amounted to a \$10.7bn deficit. This suggested that the dollar devaluation appears to be at last improving America's terms of trade, although one month's figures are by no means conclusive.

Mr. Malcolm Baldrige, Commerce Secretary, predicted this weekend that the US trade deficit would drop by \$30bn-\$40bn in 1987, and that the weakened dollar would make US exports grow substantially. Yesterday neither Mr. Pöhl nor Mr. Baker referred to the possibility of a Group of Five meeting to discuss last month's wild currency gyrations. The Group of Five members are the US, West Germany, France, Britain and Japan and their meetings can have enormous impact on financial markets.

Mr. Baker warned that the US could not cure its trade deficit through the value of the dollar alone. He said that the Reagan Administration intended to submit a competitiveness package (code for a trade bill) to Congress within the next two weeks.

Separately, Mr. Baker described as "pure baloney" reports that he and other cabinet members had threatened to resign if Mr. Donald Regan, White House Chief of Staff, did not go.

John Wyles in Davos, Switzerland, writes: Senior public officials from industrialised countries, including the US and Japan, share the view that a meeting of the Group of Five finance ministers is unlikely until they are able to agree on concrete measures to stabilise the dollar. The officials held 10 hours of talks in Davos yesterday with their counterparts from 10 developing nations and six international organisations.

The participants, brought together by the World Economic Forum, an annual meeting of public leaders and top businessmen, were generally gloomy about the currency crisis. Many have been influenced by a forecast given here by Prof. Lester Thurow of MIT, that the US trade deficit would not be eliminated until the dollar had fallen to Y100 and DM 1.1.

## Genscher urges West to accept Soviet initiatives

BY JOHN WYLES IN DAVOS

MR Hans-Dietrich Genscher, the West German Foreign Minister, yesterday boldly called on the Western alliance to believe in the changes taking place in Soviet domestic and foreign policies and to negotiate a new set of economic and arms control agreements.

"Our motto must be 'let us take Gorbachev seriously, let us take Gorbachev at his word,'" declared Mr. Genscher in a major speech reflecting a new authority drawn from his Free Democratic Party's success in the recent West German elections. In the process, he went much further than any Western leader has done in responding to developments in Soviet policy.

He was strongly sceptical of suggestions that Mr. Gorbachev was seeking a breathing space in Moscow's relations with the West to allow time for domestic regeneration before resuming the "old expansionism."

The Soviet leader's initiative "could not be brushed off as propaganda," he said. "If today there is a chance of reaching a turning point in East-West relations after 40 years of confrontation, it would be a mistake of historic proportions for the West to let the chance slip," Mr. Genscher told the World Economic Forum, an annual meeting of top politicians and businessmen, in Davos, Switzerland.

Against the background of Pres-

ident Ronald Reagan's political setbacks over arms to Iran and the apparent conviction that a positive Western response could help Mr. Gorbachev overcome domestic opposition to his reforms, Mr. Genscher seemed to be presenting himself as the West's potential interlocutor with Moscow.

Asserting that the Soviet leader's new domestic and foreign policies were "in the interests of the West," Mr. Genscher claimed that Mr. Gorbachev had clearly broken with the expansionist policies of the Brezhnev era.

Mr. Genscher, repeatedly stressing the new opportunities for East-West relations which are now appearing, emphasised that West Germany was not recasting its foreign policy, which would continue to be based on membership of Nato, the EC and close Franco-German co-operation.

Peter Bruns in Bonn said Mr. Genscher's speech can be seen as a hint challenge to Chancellor Helmut Kohl to take sides on foreign policy as he begins to put together a new coalition Government for his second term in office.

The veteran Foreign Minister is certain to keep his post. His remarks about the Gorbachev administration are probably his most clear statement on policy towards the Soviet Union and are bound to upset conservatives in Mr. Kohl's party and, probably, in Washington.

## BBC raid by police sparks criticism

By Raymond Snoddy in London

THE BBC is to take legal advice about the police raid on its Glasgow headquarters, in which officers seized all material relating to the Zircan spy satellite and other programmes in the controversial television series Secret Society.

Special Branch officers from the Metropolitan and Strathclyde forces took away nearly 30 boxes and cartons of videotapes, out-takes, computer discs and notes from the studios where the series was produced.

The raid, which lasted 30 hours, is believed to be unprecedented in the history of British broadcasting. The search drew strong criticism from the opposition Labour and Alliance leaders, who will press today for a statement from the Government in the House of Commons.

Police took material relating to all six programmes in the series, not just the Zircan transmission, which had been banned by Mr. Alexander Miles, who was forced last week to resign as BBC director general. Mr. Miles had cleared the other five programmes.

The police resumed their search at 8am yesterday after obtaining a third warrant. The first was overturned by a judge and the second was invalid.

Staff such as film editors and librarians were summoned in the search for a new director general. Page 5

Continued on Page 20

## Paris unable to meet investor demand for shares in Paribas

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government announced last night that it would be unable to meet individual investor demand for Paribas shares because of the unexpected success of the privatisation issue.

Mr. Edouard Balladur, the Minister of Finance, appeared on French television to announce that 3m Frenchmen had applied for shares in the formerly secretive investment bank. Before nationalisation in 1982 it had a total of 150,000 shareholders.

However, Mr. Balladur announced that the Government would have to scale back allocations to individual investors for whom preferential treatment had been accorded. They will now receive allocations proportional to the overall demand.

The Government is also scaling down its offer of one free share for every 10 shares held for a minimum of 18 months. Small investors will

only receive a fraction of the share depending on the allocation. The Government made available 14.7m shares at FFr 405 each to French investors. This represented 32 per cent of Paribas capital. One reason for the success of the issue was the expectation of a sizeable profit with the shares being quoted in the grey market last week at between FFr 470 and FFr 500.

In addition to cutting back on allocations to French investors, the Government will reduce by 10 per cent the 6.3m shares offered abroad - equivalent to 13.5 per cent of the group's capital.

The success of the issue provides an important boost for the Government's privatisation programme which began last year with Saint Gobain, the glass and pipes group. The Saint Gobain issue, the first in the programme, was 14 times oversubscribed with the Government

having to use to the full the claw-back on shares sold abroad. Apart from the shares put on public offer in France the Government reserved 18.2 per cent of the capital for 17 major institutional shareholders paying a 2.5 per cent premium to give the group a stable shareholding base. Among the main shareholders are the old group CFP-Total and three insurance companies. Four foreign groups hold 2.6 per cent of this block.

A further 7.5 per cent of the capital was reserved for employees at a discount of between 5 per cent and 20 per cent. The Government had been planning to hold 4 per cent of the capital in reserve to meet the issue of free shares. The non-voting certificates of investment, which account for 25 per cent of Paribas' capital, can be exchanged with no extra payment. Power politics of Japanese privatisation, Page 4

## A record year for Scandinavian Bank Group

"Pretax profits rose by 86% and consolidated assets grew for the 17th year in succession to reach £3,500 million".

Garrett F. Bouton  
Managing Director and Chief Executive

### Highlights from audited 1986 Consolidated Accounts\*

£'000	1986	1985
Profit before taxation	26,379	14,164
Profit after taxation and minority interest	16,705	7,188
Consolidated assets	3,512,836	3,266,947
Total deposits	2,933,363	2,742,419
Loans and advances	1,855,345	1,845,549
Capital resources	227,573	207,001

\*The highlights for 1986 are an extract from the Report & Accounts which will be delivered to the Registrar of Companies and upon which the auditors have given an unqualified report.

Scandinavian Bank Group plc

The art of British banking Scandinavian style.

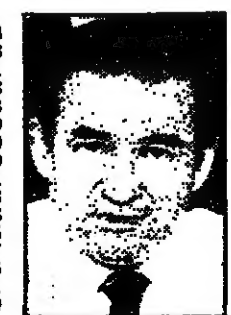
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مكتبة الأصل



## EUROPEAN NEWS

## Sale price for French TV channel due soon

BY PAUL BETTS IN PARIS

THE FRENCH Government is expected to announce in a few days the price of TF-1, the country's oldest and largest state television channel which is to be privatised. It is expected to fetch FF4.5bn (FF4.5bn (\$680m-£484m), although the opposition Socialist party claimed at the weekend that it was worth about FF10bn.

The sale is the centrepiece of the Government's ambitious changes in television broadcasting. Later this month franchises will be awarded to operate France's two other private commercial stations, the Fifth Channel or 'La Cinq', the Sixth Channel or TV6, the French music channel.

The Socialists are already accusing the Government of

selling the state network at a discount and have threatened to renationalise it when returned to power. The network has about 40 per cent of the national audience.

The main candidates to take over TF-1 are a recently formed association between Hachette, the country's leading publishing group, and Havas, the state advertising and media group, also to be privatised this year.

Mr Pierre Dauterive, the Havas chairman, confirmed yesterday in a newspaper interview that he had reached an agreement whereby Hachette would acquire 45 per cent of TF-1 and Havas 15 per cent to form the core shareholders and operators of the channel.

Mr Robert Hersant, the right-

wing Press baron and publisher of Le Figaro newspaper, has also emerged as the main candidate to take over the Fifth Channel in association with the Silvio Berlusconi, the Italian television entrepreneur, and Mr Jerome Seydoux, chairman of the Chargeurs transport and communications group. Mr Berlusconi and Mr Seydoux presently operate the channel but are threatened with the loss of their franchise and have been negotiating with Mr Hersant.

Although the Council of State, one of France's leading judicial bodies, yesterday overruled the Government's earlier decrees cancelling the franchises for the Fifth Channel and TV6 granted by the Socialists, it left the way open for the Government to

table new decrees to enable the franchises to be allocated to new operators.

With strong contenders emerging for both TF-1 and the Fifth Channel, the bidding for TV6 appears to be the most open of the three. The channel is operated by the Gaumont film production group in association with a private radio station and two advertising groups. This consortium is keen to maintain its franchise but will have to fend off rival bids from groups including the Generale des Eaux and Lyonnaise des Eaux water utilities, the Compagnie Luxembourgeoise de Telediffusion which has been showing a growing interest in TV6, the UGC film distribution group and several record companies.

## Irish ships halted as disputes escalate

By Hugh Carnegie in Dublin

ALL FREIGHT and passenger services from the Republic of Ireland on the state-owned B&I shipping line were at a standstill last night following the escalation of labour disputes that have plagued the loss-making company for months.

Ships' officers extended their strike from the passenger service to the freight service yesterday when talks broke down in a dispute over manning levels and scheduling.

The freight service was already down to half capacity because of an unresolved dispute with craftsmen.

Yesterday, only a freight service from Larne, in Northern Ireland, to Great Britain was still operating.

Apart from the immediate disputes, B&I is struggling to get agreement with its unions on a survival plan involving nearly 400 redundancies.

In the present dispute, costing the company more than £500,000 (\$765,000) a week, 1,000 of the 1,400 workforce have been laid off.

## New Irish party keeps options open

By Hugh Carnegie in Dublin

THE LEADER of Ireland's Progressive Democrats party, which hopes to hold the balance of power after the February 17 election, said yesterday he would be reluctant to support a government led by Dr Garret FitzGerald, the outgoing Prime Minister, or Mr Charles Haughey, leader of Fianna Fail.

Mr Desmond O'Malley, who formed the Progressive Democrats just over a year ago after leaving Fianna Fail, was careful not to rule out co-operation with either.

He confessed his feelings against Dr FitzGerald, the leader of Fine Gael, were less strong than his objections to Mr Haughey, with whom he had a bitter long-running quarrel when still a front-bench member of Fianna Fail.

A coalition between Mr O'Malley and Dr FitzGerald is widely regarded as the only possible outcome standing in the way of a Fianna Fail victory in the election, chiefly because of their similar cost-cutting, free-market approach to tackling the debt-burdened economy.

However, Mr O'Malley is clearly keen to keep all his options open and preserve the independence of his party.

The PD's, as they are known, are in confident mood with a steady 15 per cent opinion poll rating. They hope, under the proportional representation system, to win around 20 seats in the 166-seat Parliament.

The main planks of the manifesto are cuts in the Draconian tax regime, abolishing social insurance, health and youth levies on employees' earnings and reducing standard income tax to 25 per cent in five years to stimulate growth to tackle 19.3 per cent unemployment.

This would be paid for by big reductions in capital spending—some of it coming out of the budget of the Industrial Development Authority—a public pay freeze and privatisation of state assets such as forests and the Irish Life building society.

## Soviet economist stresses reforms will take time to pay off

BY PATRICK COCKBURN IN MOSCOW

THE PRINCIPAL economic reforms being introduced in the Soviet Union will only begin to boost output at the end of the decade, according to Dr Leonid Abalkin, head of the Institute of Economics in Moscow and one of the country's most influential advocates of economic change.

He expects two changes being introduced this year to have an almost immediate impact, however. These are the new laws on individual labour, allowing citizens from May 1 to work part or full time on their own account, and another law, to be ready in six months' time, enabling individuals to unite to set up co-operatives to provide services or for small-scale manufacture.

In an interview Dr Abalkin said that the transfer of Soviet enterprises to full cost accounting with a measure of control over their prices will only be completed in 1990. The first stage of this fundamental change in the way industry is organised started at the beginning of this year with seven ministries and 36 enterprises shifting to financial autonomy.

Studies show that some 2.5m people are likely to offer individual services full time, according to an article in *Sovetskaya Kultura*. Another 15m-18m people out of a total labour force of 129m are estimated to have second jobs at present, and a poll by the Institute of Sociological Research showed that 27 per cent of people wanted to earn extra money by additional labour.

Dr Abalkin says that he sticks by his forecast last year that the introduction of co-operatives — individuals coming together to perform services or establish workshops — will provide an immediate boost to the economy and could contribute 10-12 per cent of the national income in 10 years.

The main thrust of economic change, however, is shifting existing industry and agriculture to self-financing, whereby the main economic decisions on an enterprise will be decided by its management, not by planners in Moscow. Pay will be linked to profitability and productivity.

The prices of key items such as oil, gas, coal and cement, as well as basic foodstuffs, will be decided centrally by the Government. The prices of other goods will be more flexible, subject to contract negotiations between buyer and seller with an upper limit imposed by the state.

Economic restructuring had very little to do with the good agricultural harvest last year, says Dr Abalkin. The 4.1 per cent increase in national income and 4.9 per cent jump in industrial production he attributes to better administration and tighter discipline among management and workers.

The Communist party daily newspaper, *Pravda*, yesterday strongly attacked middle-ranking members of the party whom it accused of being secretly opposed to reform. "Some leaders are only imitating reconstruction, and they are living by the old, worthless methods and canons," *Pravda* said.

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Dr Abalkin says that he sticks by his forecast last year that the introduction of co-operatives — individuals coming together to perform services or establish workshops — will provide an immediate boost to the economy and could contribute 10-12 per cent of the national income in 10 years.

The main thrust of economic change, however, is shifting existing industry and agriculture to self-financing, whereby the main economic decisions on an enterprise will be decided by its management, not by planners in Moscow. Pay will be linked to profitability and productivity.

The prices of key items such as oil, gas, coal and cement, as well as basic foodstuffs, will be decided centrally by the Government. The prices of other goods will be more flexible, subject to contract negotiations between buyer and seller with an upper limit imposed by the state.

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## Jobs to go in Swedish steel industry

By Sara Webb in Stockholm

THE SWEDISH commercial steel industry is threatening to cut jobs and close mines in order to cope with overcapacity and falling prices in the market.

SSAB, the Swedish state-controlled commercial steel group, is planning to cut its loss-making areas and concentrate on steel sheet production and on its home market in future.

The plans are in response to increased competition from many of the developing countries and to measures in the EEC to adapt production levels.

SSAB's board is proposing to close two iron ore mines at Grönseberg and Dannemora, its electric arc furnace and the Morgan works (which produce wire rods and reinforcing bars) at Domnarvret, its light section mill in Luleå, and its hot strip mill in Surahammar.

It proposes cutting 2,200 jobs, or 15 per cent of its total workforce of 15,000 over the next couple of years. The proposals will now go before the unions and a final decision will be taken next month.

The restructuring plan comes at a time when group says it cannot live up to previous forecasts presented by the last board as late as December.

Profits after financial items were then expected to reach SKr 350m-400m (\$34m-\$39m) for 1986. The new board, which was brought in last November with a change in the group's ownership structure, now says that profits for 1986 will only reach SKr 275m because of overcapacity, falling steel prices and the falling dollar.

Mr Björn Wahlström, the new chairman, warned that if the closures and job cuts did not take place, SSAB would only break even in 1987 and would face losses of SKr 200m in 1988.

As a result, the board has decided to cut the unprofitable areas of business. The two iron ore mines which supply SSAB with more than two thirds of its ore, made a loss of about SKr 60m last year.

LEAB, the state-controlled iron-ore group of which Mr Wahlström was formerly chairman, stands to gain by this decision, and will probably now become the sole supplier. The steel profiles works at Luleå made a loss of about SKr 100m.

The board now proposes investing over SKr 1bn in SSAB's core business of strip mill products and hopes that the restructuring will make SSAB a stronger candidate for a stock market launch in the future.

## Papandreou attacks unions

By Adriana Ierodiakonou in Athens

THE CHILLY relations between Greece's Socialist Government and the country's trade unions, have deteriorated further following a bitter attack by Mr Andreas Papandreou, the Prime Minister, on public sector workers who are striking for higher pay.

The unions want the Government to relax its austerity policies which is part of a two-year economic stabilisation programme designed to reduce Greece's inflation and domestic and external deficits. Mr Papandreou said at the weekend that he considered it unacceptable that "workers in private industry should have given the Government more grace than privileged workers in state corporations and banks."

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## Portuguese telecoms group has UK link

BY DIANA SMITH IN LISBON

CENTREL, the Portuguese telecommunications group that has signed an agreement with Siemens to share local manufacture of equipment for Portugal's new digital switching system, is launching itself internationally with the help of British consultants and its UK outfit, Centrel Telecom.

After massive investment in the past two years in research and development of telecommunications equipment and software, the group is seeking a greater share of major international telecommunications contracts.

Centrel first attracted attention in 1980 when its founders, three young engineers previously employed by Standard Electrica, the Portuguese subsidiary of IIT, bought the local installations of Plessey for £1 (\$1.53), the price charged by the disgraced British corporation when it failed to coax successive Portuguese governments to make firm telecommunications investment plans and decided to pull out of the country.

Centrel also took on Plessey's £200,000 (\$306,000) debt and its 2,500 employees — a heritage that proved costly to Centrel as it sought to develop new products.

## Poles condemn plan for nuclear waste store

By Christopher Bobinski in Warsaw

PROPOSALS for a nuclear waste store in Miedzyrzec, western Poland, have been condemned by local people.

Waste from the Zarnowice nuclear power station, now under construction and expected to come on stream after 1992, would be stored in underground fortifications built by the Germans before the Second World War.

Protests against the plan were made at the weekend by delegates to a congress of the Polish Consumer Federation (PKF). They are part of a wider protest movement among the town's 20,000 people which began in 1975. They argue that the site is damp and unsafe.

The congress also heard that the federation, the only movement of its kind in eastern Europe, is to become a member of the International Organisation of Consumer Unions, based in The Hague.

The PKF set up in 1981, has about 10,000 supporters and is planning to start an independent quality testing centre in Krakow. Congress resolutions called for the ending of the market monopoly in Poland by allowing greater scope for private enterprise in production of goods and services.

Government plans to raise prices of basic foods were also criticised because a growing number of households estimated their situation was poor and without chance of improvement. The PKF hopes to organise an eastern European consumer movement congress towards the end of the year.

## Hindawi released

Italy has provisionally released Awni Hindawi, the Jordanian cousin of Nazar and Ahmed Hindawi, convicted of guerrilla attacks in London and West Berlin. Reuter reports from Genoa. Judicial officials said Awni Hindawi, a 26-year-old political science student at Genoa University, had been released through lack of evidence, on condition that he remain at Sassello, a small town not far from the city.

AT A New Year reception for senior ministers and politicians King Baudouin got straight to the point. How, he asked, could Belgium set an example to the rest of Europe while remaining so disunited at home?

Only four weeks into the country's six-month presidency of the EEC—essentially an opportunity for the Government to influence, even direct, Community affairs—all the evidence suggests that the monarch's timely warning has been badly ignored.

Belgium's long simmering language dispute—ostensibly centred on the figure of a self-important village mayor but actually rooted in far deeper cultural and historical differences between Flemish speaking Flanders to the north and Francophone Wallonia in the south—has once again become a national preoccupation. Persistent attempts to break the deadlock have so far failed to yield a solution and with signs that the conflict may be spreading, the centre-right coalition of Mr Wilfried Martens is once again in danger of falling apart.

A mood of uncertainty prevails in Brussels with few observers prepared to predict the next move. Few seriously believe that the issue will come

## Oil price forecast to reach \$60 a barrel

BY MAURICE SAMUELSON

OIL PRICES will rise steadily to reach \$60 a barrel towards the end of the century but will not regain their 1985 level in real terms until 2005, says a report on Europe's energy outlook published today.

DRI Europe, in its latest forecast of European energy trends to the year 2005, also assumes that the dollar will depreciate against most European currencies until the 1990s and that the oil prices expressed in European currency units (Ecu) will rise less than if expressed in dollars.

In the shorter term energy consumption should increase as a result of the recent fall in energy prices. Between 1986 and 1990, it expects Europe's total primary energy requirements to grow by 1.9 per cent a year for a 2.3 per cent annual growth in gross domestic product.

Oil demand in Europe should rise by 1.2 per cent a year until the early 1990s and then start declining. Its peak in 1991 is forecast to be 585m tonnes of oil equivalent (mtoe) against 545 mtoe in 1985. Although there will be a greater use of oil for electricity generation in Italy, the Netherlands and Denmark, this will not halt the overall phasing out of oil from

the power sector. In the industrial and domestic sectors, DRI Europe says lower oil prices will help boost consumption by some 8 per cent between 1985 and 1990, before consumption starts falling again. The biggest rise in oil use will be in the transport sector. Between 1986 and 1991, consumption in this sector should rise by around 13 per cent, or 30mtoe.

Gasoline consumption will remain static, but diesel oil, jet fuel and bunker fuel consumption should increase as a result of strong commercial activity.

Natural gas prices are expected to rise less rapidly than oil prices in order to guarantee gas competitiveness against coal and electricity. Electricity should keep present 19 per cent of final energy requirements until the end of the 1980s but will gradually rise to 22 per cent by 2005.

Coal prices to industry this year should be 30 per cent lower than two years ago, and prices in the domestic market 20 per cent lower.

DRI Europe, *Energy Outlook 2005*, DRI Europe, 30, Old Queen St, London, SW1; 13 rue de Quatre Septembre 75002 Paris.

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## Western steel output 'will decline further'

BY PAUL BETTS IN PARIS

STEEL production in Western industrialised countries is expected to continue to decline this year but not by as much as last year, the Organisation for Economic Co-operation and Development (OECD) says in its latest outlook on the Western steel industry.

The OECD estimates the fall in Western steel production this year at about 1.5 per cent, compared with a decline of 6 per cent last year when OECD steel production totalled 385.61m tonnes. EEC steel production which fell by 7.3 per cent last year is expected to remain flat this year while US production is expected to fall by 2 per cent this year compared with 5 per cent last year.

The OECD estimates also show Japanese steel production declining by 4 per cent this year compared with 6.7 per cent last year; Australian and New Zealand output increasing by 2 per cent this year compared with 1 per cent last year and Canadian output rising by 1.5 per cent this year after falling by 2.8 per cent last year.

After falling by 2 per cent last year, OECD steel consumption is expected to fall by about 1.5 per cent this year. The Paris-based or-

## Melilla unrest turns focus on Morocco

By David White in Madrid

UNREST CONTINUED yesterday in Spain's North African enclave of Melilla after violent clashes at the weekend which highlighted the Madrid Government's failure to placate the minority Muslim population.

The disturbances have raised concern about their possible impact in Morocco, which maintains a territorial claim over Melilla and its sister enclave of Ceuta.

Last year, the Spanish Government produced a carefully-laid plan for Melilla, aimed at reassuring local Muslims about their rights at the same time as removing the main sources of aggravation for the non-Muslim Spanish population.

This involved replacing its controversial chief representative with Mr Manuel Eliechery, a local Muslim and police officer who had been Prime Minister Felipe Gonzalez's chief bodyguard, and bringing the Muslim leader, Mr Aomar Mohamedi Dudo, to Madrid as a government adviser.

However, Mr Dudo soon resigned and returned to Melilla, provoking the anger of the Spanish authorities by describing Melilla as Moroccan and the Spanish inhabitants as foreigners.

Mr Happort, a member of the Walloon Socialist party has since become a potent symbol for much broader economic and cultural tensions between Flanders and Wallonia—tensions which immediately opened up sharp differences between the Flemish and French-speaking Christian Democrat parties in the coalition (the CVP and the PSB) when the quasi-judicial Council of State annulled his election last September.

That decision essentially pitted those in Flanders who argue that the language laws should be upheld, and those in Wallonia who point out that Mr Happort is the democratically elected representative of the local people.

To an outsider at least some of the subsequent events have bordered on the farcical. Mr Happort has refused to fade away, getting himself appointed as First Alderman and thus de facto assuming the role of acting mayor in the absence of an official appointee. His behaviour has naturally infuriated the Flemish parties—notably Mr Martens' own CVP—who see a constitutional (and more fundamentally perhaps) a politically inspired ploy for greater regional autonomy.

Few Belgians would be large sums of money against Mr Martens surviving that long—but even some of his closest advisers admit that the odds do not look good.

The time bomb ticking away under the Government is, as before, Mr Jose Happort—the French-speaking ex-mayor of a small provincial council called Les Fournons who refuses on principle to speak the official Flemish language and as a consequence lost his job.

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Their fury is not likely to have been abated last Friday when Mr Happort—suspended from the post of First Alderman by the Provincial Governor

Besides loud political reverberations, the conflict has also with the annulment of the elections of four officials from councils close to the capital on the same grounds as Mr Happort.

New sensitivities have also been aroused by a proposed Flemish decree giving powers to the Flemish Government to influence mayoral appointments, thereby (according to those Flemish councils where French speakers are in a majority)

So far all efforts to find a solution have failed ignominiously. One Interior Minister Charles Ferdinand Nothomb—lost his job last year after an ill-fated attempt to find a compromise mayor for Les Fournons. His successor, Mr Joseph Michel, has come in for fierce criticism for a widely leaked plan to keep Mr Happort as First Alderman and thus erode the powers of that office.

Mr Martens' own party, the CVP, has been particularly critical. It is against this background that the Prime Minister is desperately seeking inspiration. Tough behind-the-scenes negotiations have continued in the last few days with a view to launching

a new initiative—but no details have yet emerged. Mr Martens—a committed Federalist—would clearly like the whole language and regional question—including the 1980 constitutional reforms which form the basis of the country's bilingual government reforms—aired in a special parliamentary forum. Whether this would satisfy quickly enough the regional aspirations of some of the protagonists is open to doubt. One problem is that boundary changes have to be agreed by a two-thirds majority in parliament—and by at least 50 per cent of all parties—clearly inconceivable at the moment.

The next deadline is probably just one month away—the date when the Limbourg governor must confirm or annul Mr Happort's election, thereby putting the ball back into the Government's court



## OVERSEAS NEWS

## Entebbe rescue hero appointed chief of Israeli forces

BY ANDREW WHITLEY IN JERUSALEM

ISRAEL'S new top soldier, the Chief of Staff of the Israel Defence Forces (IDF), is to be Maj Gen Dan Shomron, 48, the hero of the 1976 Entebbe rescue operation.

Maj Gen Shomron's appointment was announced at Sunday's Cabinet meeting. He takes up the post in April when the four-year term of the present Chief of Staff, Lt-Gen Moshe Levi, expires.

Although Maj Gen Shomron is highly regarded as a professional soldier, he has nevertheless faced considerable resistance from the upper ranks of the IDF's high command on his appointment to one of the most important positions in Israeli national life.

In an unusually strongly contested succession battle, Lt-Gen Levi had thrown his own not inconsiderable weight behind the candidacies of two other senior officers, Gen Amir Drori and Gen Ori Orr.

However, Lt-Gen Levi was up against Mr Yitzhak Rabin, Defence Minister, who personally favoured the outsider from the northern kibbutz - and that was apparently enough for the Cabinet.

The contest is not yet over. Appearing over the head of the Defence Minister, the outgoing Chief of Staff will this week take his case against his designated successor directly to Mr Yitzhak Shamir, the Prime Minister.

Lt-Gen Levi, wanted to stay on in his post for another year at least and he could win a brief postponement.

However, if, as expected, Maj Gen Shomron's appointment is confirmed, he will have to face a number of

nally ratified, considerable changes could be in store for Israel's armed forces - presently suffering from uncertain morale.

The Chief of Staff designate is on record as favouring quality against quantity when it comes to ground forces. He is expected to push for a smaller but more efficient and better-equipped army. The cost of keeping the 130,000-strong regular force in the field will not fall, but more manpower would be released for civilian life.

Equally significantly, Maj Gen Shomron is an unabashed opponent of the controversial Levi fighter aircraft, the pride and joy of the country's defence industries but, according to its critics, a financial millstone which could sink the national budget.

Not for the first time in his army life, Maj Gen Shomron publicly supports purchasing a cheaper imported weapon over the more expensive, home-grown product. As a young paratrooper commander, he argued in favour of buying the American M-16 automatic rifle rather than the Galil.

He was fortunate to be out of the country study leave in the US, when Israel invaded Lebanon in June 1982, and therefore escaped the opprobrium which attached itself to many of those associated with that highly controversial three-year war.

Maj Gen Shomron's outspoken views have not made him popular among his peers, and the way he was appointed over their heads will not have helped.

## US refuses to renew NZ weapons agreement

By Dai Hayward in Wellington

THE US has refused to renew a memorandum of understanding with New Zealand which gave New Zealand the right to buy military equipment at a reduced price, because of New Zealand's nuclear ship ban.

The cancelling of the treaty means New Zealand will have to pay more for defence equipment and loses priority access to equipment which may be in short supply.

The action is retaliation for Wellington's ban on port visits by US nuclear-powered ships - a ban which has led to the breakdown of the ANZUS defence agreement between America, New Zealand and Australia.

## Australian car sales plummet

By Chris Sherwell in Sydney

MOTOR VEHICLE sales in Australia plummeted in December to their lowest level since 1981. According to figures published yesterday by the Australian bureau of statistics, seasonally adjusted sales of new motor cars, station wagons and other vehicles were down 29.1 per cent on December 1985.

Projections suggest that sales in the 1986-87 financial year ending in June will fall further than expected, dipping below the 500,000 mark and forcing the five domestic manufacturers into tough decisions on production.

Last month the Government told producers to make specific commitments to increase output of their low volume models or cease production of them altogether.

## South African MP recants

Mr Albert Nothnagel, a National Party MP, has recanted his criticism of Pretoria's refusal to negotiate with the ANC, Jim Jones reports from Johannesburg.

In a letter made public late Sunday by Mr F. W. De Klerk, the Transvaal National Party leader, Mr Nothnagel says that his aim had not been to undermine the party's leadership or resistance to the party. The letter was written only after discussions between Mr Nothnagel and senior cabinet ministers.

## Zambia revalues

Zambia revalued the kwacha upwards today by 65 per cent following a decision last week to abandon an auction system that had been used to determine the currency's official price, central bank officials said. Reuter reports from Lusaka. The Bank of Zambia revalued the kwacha at 9.045 to the dollar with commercial banks, up from the 14.92 rate struck at the last foreign exchange auction on January 24.

## Kidnappers warn Washington against attack

BY OUR MIDDLE EAST STAFF

ISLAMIC JIHAD, the extremist Shi'a group holding five Western hostages, yesterday threatened to kill them if the US intervened forcibly in Lebanon or elsewhere in the Middle East.

Its statement was issued as Syria's state-controlled media reported US plans to mount a strike against targets in Lebanon and warned Washington against "playing with fire."

The two Americans held by the shadowy pro-Iranian Islamic Jihad are Mr Terry Anderson, former Associated Press bureau chief in Beirut, and Mr Thomas Sutherland, who was dean at the American University of Beirut.

It was their freedom which Mr Terry Waite, the Archbishop of Canterbury's envoy, was seeking before his disappearance a fortnight ago. In addition Islamic Jihad holds three French citizens.

The four hostages—three Americans and one Indian—held by "Islamic Jihad for the Liberation of Palestine" also face a death threat following Israel's categorical rejection of its ultimatum that 400 "terrorists" should be freed in exchange for the hostages.

The group is believed to be related to "Islamic Jihad." Yesterday in Damascus Mr Nabih Berri, the leader of the Lebanese mainstream Shia movement, Amal, and Mr Walid Jumblatt, the head of the mainly Druze Progressive Socialist Party, said in Damascus that they believed Mr Waite had been "arrested" but not kidnapped.

A consensus has hardened that the militants holding him are demanding the release of the 17 Shia bombers jailed in Kuwait since December 1983.

The Kuwaiti Government has shown no sign of giving way. Among the prisoners is a cousin of Mr Imad Mugniyah, a security boss of Hizbollah—the Party of God—the pro-Iranian group linked to Islamic Jihad.

He is reported to be furious because Mr Waite came with no proposals about the freeing of the 17 Shias.

The Archbishop of Canterbury, the Most Rev Robert Runcie, has written to the powerful Iranian cleric Hajj Ali Akbar Hashemi Rafsanjani, who is Speaker of the Majlis (parliament) appealing for his help in finding the Anglican emissary.

The US State Department demanded the immediate release by Iran of Mr Gerald Seib, the Wall Street Journal correspondent detained in Tehran and charged with spying for Israel.

However, the American University of Beirut, Syrian and Palestinian groups sometimes in conflict but at other times in complicity, have made more complex the rivalry for international attention and financial gain.

The Islamic Jihad Organisation for the Liberation of Palestine, a new group, which announced its formation recently with the abduction of four university professors, three Americans and an Indian, are threatening to execute them if the US takes military action.

Suspicion that the Syrians are just as involved as the Palestinians are also rife. The kidnappings of West Germans focused on the arrest of Mohammed Ali Hamadei. His brother Abdel Hadi Hamadei is a senior security official in the Shia extremist Hizbollah.

Last but certainly not least is the Mughniyah from the Basra area in the Syrian-controlled Bekaa Valley. This is controlled by Imad Mughniyah, who is thought responsible for the kidnapping of many westerners since 1985 and is said to be anxious to secure the release of 17 Shi'ite bombers held in Kuwait since 1983.

been given a further spur by the hesitation of the West German Government on how to deal with Mohammed Ali Hamadei, arrested on January 13 in Frankfurt and wanted in the US to face air piracy and murder charges.

The Shia fundamentalists groups closely allied to Hezbollah to Iran out of religious connection as well as financial ties were probably the forerunners of the spate of kidnappings. They were bitterly opposed to all symbols of western influence, not least US financed academic institutions.

the Organisation of Revolutionary Moslems, the Hizbollah and so on and so forth.

All these groups are now in the business of kidnapping westerners, and sending off videos and tape recordings as part of the nerve wracking bargaining process.

Executions and murder threats have driven most westerners out of West Beirut. The mushrooming of the groups and the number of kidnappings appear to have increased since the US appeared willing to deal with Iran over hostages, and may well have

Nora Boustany reports on the proliferating Islamic revolutionary groups in Lebanon  
Terror gangs known by name but little else

A FIVE INCH colourful map of Lebanon bursting with clenched fists and fervent faces with a portrait of the Iranian leader Ayatollah Khomeini in the centre, are now plastered all over most of the walls still standing in the streets of West Beirut.

In the seaside spaghetti houses and coffee shops scarred women and bearded men seem much more at ease than other anxious customers now conscious of and uncomfortable with their western dress and manner.

The once westernised part of Muslim West Beirut seems swamped by the Shia population with their vaguely defined allegiance to Iran and the Islamic revolution there.

It is difficult enough to disentangle intra-Lebanese conflicts. There are, after all, at least 16 officially recognised ethnic groups in the country. The Christian Moslem conflict remains far from being resolved.

These considerations, however, have been dwarfed by the rise to dominance in most of the Lebanese capital of the Shia population and the re-



Hizbollah supporters shouting slogans in West Beirut

gional tug of war that the ties with Iran some of these groups have.

At the last but by no means definitive count there were at least nine shadowy underground groups known by name if little else.

The best known is the secretive Islamic Jihad. But there are also the Islamic Jihad for the Liberation of Palestine, the Organisation for Revolutionary Justice, the Organisation for the Oppressed on Earth, the Organisation of Revolutionary Moslems Cells, the Front of Solidarity with Arab Prisoners in Europe,

the Organisation of Revolutionary Moslems, the Hizbollah and so on and so forth.

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## India, Pakistan may extend talks on border tensions

BY JOHN ELIOTT IN NEW DELHI

DETAILED TALKS about how to pull back a total of 700,000 Indian and Pakistani troops from the borders of the two countries are to continue in New Delhi this morning for the third consecutive day.

It is possible that the talks may be further extended till tomorrow because of the complexities of trying to reach an agreement on troop movements which will not come unstuck during the next few weeks when India is to hold major manoeuvres on its side of the border and will be trying to cope with increasing Sikh violence in its border state of Punjab.

Delegations of senior diplo-

mat and defence chiefs from the two countries produced detailed proposals for withdrawing from the border when they started their meetings on Saturday, a week after the most serious escalation of border tension for several years.

They adjourned for internal talks, games of tennis and a visit to the Taj Mahal at Agra outside Delhi on Sunday and yesterday resumed the talks. Meanwhile there were reports yesterday of exchanges of small arms fire between troops of the two countries in the disputed territory of Kashmir to the north of Punjab, allegedly started by Pakistani troops encroaching on Indian territory, according to Indian sources.

## Karachi police fire on mob

POLICE opened fire on demonstrators throwing bombs as rioting broke out again in Karachi yesterday, the fifth consecutive day of unrest, Our Foreign Staff reports.

At least two demonstrators were injured after the attack which police said was accompanied by tear gas in response to attacks by protesters armed with stones and home-made bombs in Karachi's Orangi Town suburb.

Witnesses added that at least 50 people were arrested for rioting on the fifth consecutive day of unrest in the city. Eight people have been killed in this the latest round of civil unrest in Pakistan's most populous city.

## Charmed life of Indonesian motor industry comes to an end

BY JOHN MURRAY BROWN IN JAKARTA

IF THE Government in Jakarta had its way, visitors would find nothing for transport but pick-up trucks plus perhaps a few four-wheel drive vehicles, all of them made in Indonesia.

The Government dreamed up a plan in 1976 to have a home-grown motor industry by 1980, promoting commercial vehicles at the expense of the saloon car which it considered a Western luxury the country could ill afford.

With just two years to go, that target is some way down the road and the dream, despite large scale investment, has increasingly faded.

"The Government has mistaken this localisation policy with a more equal distribution of wealth," says Mr T. P. Rachmat, managing director of P. T. Astra, the country's leading producer who was chosen to spearhead the programme.

Backpedalling fast, the Government last week introduced minor reforms, raising hopes that a major overhaul may be in the offing. The changes will allow assemblers to use excess capacity to diversify product lines without formal approval, and come at a time when the motor industry is deep in its worst recession for 10 years.

Nowhere has the dramatic downturn in earnings from oil, the main export, depressed consumer demand more than in the automotive sector. Last year's sales ended at just 140,000 units, half the industry's installed capacity, having peaked at 210,000 in 1981.

The 45 per cent Rupiah devaluation in September represented another blow for an industry still dependent on imports for over 50 per cent of components parts—not to mention the foreign debt commitments.

The continuing appreciation of the yen, with Japanese joint ventures accounting for 90 per cent of sales, has only made things worse.

In past years the Government has bumptested demand by lowering duties on component imports. However, the pressure on the balance of payments is such that a tariff increase seems more likely in a bid to raise revenues and stem the heavy outflow of foreign exchange involved in the

purchase of components. The picture has not always been so bleak. Indeed, behind a wall of tariffs and, more recently, an outright ban on complete vehicle imports, the car industry has enjoyed something of a charmed life since its inception in the mid 1960s as part of President Suharto's new order regime. In an economy dominated by the state, the car sector was an area of private business freedoms.

Many of the industry's problems can be traced back to the oil boom years when the Government dished out licences for Japanese and other assemblers, all in an effort to give consumers a wider choice. The result today is an industry choked with over

capacity, with 21 plants producing 25 separate makes and 111 models.

"It's a process of natural selection," says Mr Surijaya, the 64-year-old chairman of Astra Group, the company he founded, importing US Chevrolets, and which is now the country's second largest industrial conglomerate.

"Only those with an extensive after sales service network will maintain their market share," he says, predicting a spate of mergers.

Astra controls 45 per cent of the market, assembling Toyota, Daihatsu, Peugeot and Renault, in a 70,000 unit capacity plant, the largest in South East Asia.

With the makers of Suzuki and Mitsubishi, these three together account for 80 per cent of sales. The 17 other producers fight over a 20 per cent share, barely breaking even, let alone making a profit on investment.

For many Indonesians the debate must seem largely academic. Despite the impression of interminable traffic in Jakarta, car owners are still barely 1 per cent of Indonesia's 165m population.

At \$24,000 the price of a saloon car is way beyond the means of the majority, while annual per capita incomes remain at \$500.

Given this, it seems all the more surprising that no foreign ventures have yet closed or withdrawn. In large part sustained by their parent companies, all still view Indonesia as a potentially huge domestic market. As the road network continues to spread it is only a matter of time before that potential is tapped. Meanwhile, profit or no profit, the companies will sit and wait.

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# AMERICAN NEWS

## Insider nominated to head CIA as Casey resigns

BY LIONEL BARBER IN WASHINGTON

MR WILLIAM CASEY, the 73-year-old director of the Central Intelligence Agency (CIA), has resigned and his deputy, Mr Robert Gates, a career officer who has served with the CIA since 1966, has been nominated as his successor.

Mr Casey's departure was widely forecast since he underwent surgery last month to remove a cancerous brain tumour. After initial optimistic reports, it was disclosed that he was suffering speech impediments and had little chance of returning to work.

At Mr Casey's direction, the CIA helped to organise a private network of arms dealers and former CIA operatives to supply the Contras with military aid during a ban by Congress in 1984. Lt Col Oliver North, the White House staffer sacked for his role in the Iran affair, managed the operation.

The CIA's role in the Iran affair—and the resulting flood of embarrassing disclosures—has left the Agency demoralised and rudderless, according to Washington analysts. This contrasts with its revival under Mr Casey's leadership since 1981 when, as a close friend and campaign adviser of Mr Ronald Reagan, the President, he was appointed CIA director.

Mr Casey boosted the Agency's budget, encouraged

undercover operations to help anti-Marxist insurgents in Afghanistan and Angola, and helped restore morale after the purges of the post Nixon era when the Agency's excesses were exposed by Congress and the media.

But Mr Casey's tenure at the Agency also suffered heavy setbacks particularly in its efforts to match the KGB in espionage coups. A leading Soviet defector—Mr Vitaly Yurchenko—was allowed to slip away from his CIA guards

in Washington and "redefect" to Moscow.

A CIA mole—Mr Edward Lee Howard—disappeared while under surveillance at his New Mexico home in September 1985 and was later said to have betrayed America's spy network in the Soviet Union.

Mr Casey was a political appointment who lost a good opportunity to build solid political support for the Agency's activities on Capitol Hill. He regularly antagonised Congress by not informing the select group of lawmakers who

oversee the CIA of operations as required by Congressional oversight laws.

The CIA sponsored mining of Nicaragua's harbours in 1984 is a good example. Mr Casey also argued strongly that Congress should not be informed of secret US arms sales to Iran.

Associated Press reported yesterday that the CIA's top officer in Costa Rica is being forced into early retirement for helping Lt Col Oliver North ship military supplies to the Contras in defiance of the ban by Congress.



Casey—too ill

## US fighters for Iran operation uncovered

By Our Washington

PRIVATE international arms dealers led an operation to supply Iran with 39 American fighters and vast amounts of other weapons in defiance of an embargo, but US Government officials who knew about sales did nothing to stop them, according to a report yesterday.

The US Government is said to have allowed the illegal efforts to continue because it wanted to gain intelligence information about Iran and access to Soviet tanks captured by Iran in its war against Iraq.

The New York Times said senior Pentagon officials were told about the operation in December 1985, though some of the arms dealers involved in the operation believe some senior officials knew about the operation by early 1984.

The latest disclosures confirm a welter of other reports that the US public policy opposing arms sales to Iran did not match the private reality. Equally, the report highlights inconsistencies in the US government's attitudes to the activities of private arms dealers involved with Iran.

In New York, a number of foreign and American businessmen face charges of violating the US embargo. But, in the light of the disclosures yesterday and earlier reports of the US Government's dealings with Iran, it is difficult to see how prosecutors can make the charges stick.

The New York Times story reveals that the so-called "Deseret" project involved selling F-4 aircraft to Iran, with a contract value of more than \$1bn. It is not known if they were delivered.

**Electronic arrests**  
Criminal Justice officials in 20 US states are using electronic tracking devices to place more than 800 offenders under house arrest programmes, AP reports from Washington.

There are 45 such programmes in the US, 19 of them monitoring fewer than five defendants or offenders each, the National Institute of Justice said in a survey. Fourteen others supervise 20 or more people. The systems usually consist of ankle wrist bands which send an electronic signal to a computer.

## Nancy Dunne reports on the controversy over surrogate parenting US court ponders case of Baby M

JUDGE Harvey Sorkow of the New Jersey State Supreme Court makes no pretence of possessing the wisdom of Solomon, but the case of Baby M, over which he is now presiding, requires little less. In the first legal struggle of its kind in the US, the judge must decide whether a 10-month-old baby girl, conceived through artificial insemination, belongs to the surrogate mother who was hired to bear her, or the baby's biological father and his wife.

The attention of the country has been caught by the drama. Not only are two sets of anguished parents competing for the same child, but the outcome of the case is likely to decide the future of surrogate parenting as a means of providing babies for the one in six American couples with infertility problems.

Most surrogate parent arrangements are handled through the dozen or so agencies which have sprung in the US to match childless, prosperous couples with willing young fertile women, who are artificially impregnated with the contracting husband's sperm. The agencies usually charge several thousand dollars for their services and the surrogate mothers usually earn about \$10,000 plus expenses.

While the practice of paying women for the use of their wombs may seem distasteful, it is usually believed by those involved to be an act of humanity.

Such was the case of Mrs Mary Beth Whitehead, the natural mother of Baby M, who calls the child Sara, a 30-year-old mother of two older children and wife of a dustman.

Mrs Whitehead said she had volunteered to serve as a surrogate mother because she had witnessed the grief of an infertile sister. Through the infertility centre of New York, Mrs Whitehead agreed to provide a child for Mr and Mrs William Stern.

Mr Stern, a 40-year-old biochemist, is a survivor of the Nazi Holocaust who wants to preserve his family line. His wife Elizabeth, 41, a paediatrician and a multiple sclerosis victim, feared she would be delayed if she attempted to bear a baby of her own.

When the child was born last March 27, Mrs Whitehead changed her mind about the arrangement, turned down the money and fled to Florida with the baby. Authorities later found them and, returned the child to the temporary custody of the Sterns, who had named her Melissa.

Judge Sorkow, who has been asked to enforce the surrogate agreement, has little precedent to guide him. Of the 500-600 estimated surrogate births in the country since 1976, only a few natural mothers have changed their minds and in those cases the commissioning couple did not pursue the children.

Surrogate advocates like to cite the Biblical example of Hagar, who gave to a childless Sarah, who bore a child for Abraham. Others point to the

1978 British case between a childless couple and a surrogate mother who refused to part with her child. Two courts awarded the baby to its natural mother with the understanding that the surrogate would be paid a "bizarre and unusual arrangement" and "a kind of baby-farming practice".

For now, the case is being treated as a contract dispute. The Whiteheads' attorney is arguing that Mrs Stern is not

in fact, infertile, as the contract claims. The contract, he said, violates prohibitions in the state's adoption laws against selling babies and relinquishing parental rights before conception.

The case is complicated by the fact that Mr Stern is the baby's natural father. Since Mr Whitehead had a vasectomy operation years ago, it can be argued that Mrs Whitehead used Mr Stern to provide her with a child.

She insists, however, that she had not changed her mind until she was in the delivery room. "I am doing this so the Sterns and I, and people like us, never have to go through something like this, and so there'll never be another baby like Sara."

In the end, it may come down to a custody matter. Mothers are generally awarded custody of babies in the US, although the Sterns' strongest financial situation will be in their favour. All the attorneys involved

believe the case will reach the US Supreme Court.

The case, like many in which the advances of science have outpaced legal determination, raises many questions. If surrogate parenting is legitimised, will it create a class of less affluent women, exploited for the value of their wombs? Will the practice grow into an industry with babies treated as commodities? What ought to be the relationship of surrogate mothers with their offspring? Can a woman who promised to help a childless couple be bound to her written word?

Mrs Whitehead as attracted many important allies to her cause. One, who uses the pseudonym Elizabeth Kane, was a surrogate mother who handed over her baby in 1979.

"I built a wall around myself. I would not let myself feel for that child," she said in a recent television interview. However, one day she was talking by telephone to the child's adoptive mother and heard his voice. Since then, she has been plagued by remorse.

Mr Bill Pierce, president of the National Committee for Adoption, is crusading for a ban on surrogacy. There are 600 children available in the US for adoption, he said, although all are not healthy or white.

It is unconstitutional, he contends, to buy and sell living, breathing human beings. Still, the number of children available for adoption, reduced by the use of birth control and abortion, can in no way meet the demand. For many desperate childless couples and women in need of money, surrogate parenting is the best of all possible options.

## US productivity up less than 1% in 1986

THE EFFICIENCY of the US economy in producing goods and services fell sharply during the last three months of 1986 to limit the annual productivity gain to less than one per cent for the second consecutive year, the Labor Department said yesterday. AP reports from Washington.

Non-farm business productivity for the year was 0.7 per cent, slightly better than the 0.5 per cent increase in 1985, but well below the respective 1.8 per cent and 3.5 per cent increases of 1984 and 1983.

Manufacturers continued to show the best results. Manufacturing productivity increased 2.7 per cent in 1986 after 4.4 per cent in 1985 and a 4.1 per cent rise in 1984.

### Shultz visit

MR George Shultz, US Secretary of State, will visit China in the first week of next month as part of a brief tour taking in South Korea and Japan. Mr Shultz's visit comes at a time when US officials are attempting to assess the significance of the recent crackdown on "bourgeois liberalism" as Peking describes Western political influence.

Mr Shultz is likely to visit Canton and Guilin before going on to Peking for two days of talks with Deng Xiaoping, the Chinese leader.

### Deere strike ends

United Auto Workers union members in six states have approved a contract with Deere, ending a five-month work stoppage, the union said.

## Brazil's bandits turn to mahogany rustling

BY IVO DAWNAY IN RIO DE JANEIRO

TREE rustling is the latest figures can be arranged for a free enterprise activity to capture the imagination of Brazilian bandits in the massive, near-lawless northern state of Para.

Gangs of Pistoletos have discovered that the profits from traditional activities—robberies, extortion or as hired guns to intimidate squatters—can compare poorly with the returns from illegal lumberjacking.

Last month, news of this latest in Para's endless law and order problems hit the national headlines with the murder in a gunfight of a Mr Tarley Andrade, in Santana de Araguaia—a provincial town half way between Brasilia and the state capital of Belém. The case, the sixth in a fortnight according to one report, only gained nationwide attention as the 27-year-old landowner was son of the treasurer of the recently-formed Democratic Landowners Union (UDR)—an organisation not noted for its soft-soled treatment of the landless.

Behind the violence, more widespread even than the ubiquitous local land disputes, lies the stunning profits that felling the region's wild mahogany can bring. A cubic metre of the wood can be sold for as much as Cruzados 8,500 (\$546)—ten times the minimum monthly salary.

In comparison, the murder last year of padre Josimo, a campaigning local priest whose killing caused an international outcry, was said to be commissioned for just Cr 50,000. The removal of less prominent

figures can be arranged for a free enterprise activity to capture the imagination of Brazilian bandits in the massive, near-lawless northern state of Para.

Tree rustling has had dire consequences for more orthodox loggers, reducing the number of legitimate companies operating in the area from 200 only a few years ago to 20. Attempts to restrict felling have hampered the companies further while the gangs have operated freely. By selling their booty to small, unquintessentially saw mills, they have forced down prices.

Brazilian stocks of mahogany are said to be extremely high, while the substantial price of the wood on the international market has recently been slow to fall as buyers turn to other, cheaper alternatives.

Para is an enormous state, about half the size of the entire European Economic Community, and in the region where Mr Andrade was killed just one federal inspector faced gangs of up to 34 heavily armed men. As a local judge pointed out, when offered the choice of receiving a small facility payment for a temporary attack of official blindness or risking their lives, such officials do not hesitate long.

The wood gangs may be damaging their own interests, however. Most pistoletos have found that the most lucrative and regular work in the region has been helping the local large landowners protect their property from incursions of landless squatters. The death toll has run into hundreds.

By taking on their usual employers in the hunt for treasure, the gangs may be killing a golden goose.

## WORLD TRADE NEWS

## Soviets in move to enter Indian motor industry

BY JOHN ELLIOTT IN NEW DELHI

THE Soviet Union has launched an attempt to break into India's slowly expanding motor industry with a joint venture, backed by a \$4.5m (\$3m) equity stake, to make Lada cars in partnership with a private company.

It proposes to manufacture each year between 50,000 and 100,000 of the 13 cc Samara car and the Niva four-wheel drive vehicle. It says it will buy back some completed vehicles as well as components.

Joint ventures between Soviet public-sector organisations and the Indian private sector were discussed when Mr Mikhail Gorbachev, the Soviet leader, visited New Delhi two months ago.

So the project, which has not been cleared by the Indian Government, is believed to have considerable political backing in both countries. It might therefore have an advantage over other collaboration proposals from Japan and western Europe now being considered.

A group of Indian businessmen and engineers have formed Asian Vehicle Industries of New Delhi for the venture, which would be located in south India and involve expenditure of Rs 800m (\$40m).

## US finance facility for New Delhi Exim bank

BY NANCY DUNNE IN WASHINGTON

THE US Export-Import Bank, moving aggressively into Asian markets and to boost small and medium-sized sales, has made available a \$10m (\$8.6m) medium-term financing facility for the Export-Import Bank of India.

The facility comes after the US agency set up two \$100m concessionary lines of credit for Thailand and Indonesia and announced it would challenge Japan in those markets for telecommunications and power project business.

The Indian facility will be available to finance US exports of capital equipment, services or capital goods components for use by public or private companies. Individual transactions may have a contract value of

between \$200,000 and \$5m.

Mr John Bohn Jr, Eximbank chairman, said the line of credit offered US suppliers competitive financing in India where other countries have extended similar facilities.

Last Friday, the bank announced approval of a financial guarantee to assist in financing the \$75.7m US cost of two Boeing 737-300 jets to Royal Nepal Airlines of Kathmandu. The \$94.4m cost of the aircraft includes \$13.7m in non-US content, which will be supported by the Export Credit Guarantee Department of the UK. Eximbank, which has recently agreed to offer financing for more sales with foreign companies, will cover 85 per cent of the US export value of \$94.3m.

## Indonesia to revive plan for \$2.3bn olefin plant

By John Murray Brown in Jakarta

INDONESIA is to revive a \$2.3bn (\$1.5bn) olefin plant construction project in Arun in north Sumatra. The project had been scrapped after falling oil prices forced a review of major capital spending.

The project, to extract petrochemical products for the plastics industry, is to go to public tender. Yesterday talks were held at the Indonesian Ministry of Industry about the industrial, technical and other approvals needed.

But approval might be delayed because India's motor manufacturing policy has been unclear for over a year. There are conflicting views among ministers about how many foreign collaboration licences should be issued and how much foreign exchange allocated for foreign partnerships.

Several Japanese and western European motor manufacturers, including Nissan, Honda, and Citroën, have submitted proposals to the Government. Other companies, including Toyota, Subaru, Volkswagen, Fiat and Volvo, are drawing up plans.

But demand for cars in India is low and would, the Government believes, be more than satisfied by the production capacity of between 160,000 and 200,000 vehicles a year already covered by manufacturing arrangements.

The plant will process 1.95m tonnes annually for export to Japan with first shipment expected in 1988.

## Italian companies in US sweetener venture

TWO ITALIAN companies, Montedison Chemicals Group and Ferruzzi Agro-Industrial, have announced a joint venture to manufacture artificial sweeteners in the US with Biospherics, of Maryland. Alan Friedman reports from Milan.

Ferruzzi, which controls nearly 30 per cent of Montedison's ordinary shares, is to take 25 per cent of the venture. Montedison will also hold 25 per cent and Biospherics 50 per cent.

The US company will contribute patents and technology and the two Italian companies up to \$10m (\$8.6m) of development funds. The idea is to develop, manufacture and market a low-calorie sweetener

## Steven Butler on how foreign companies have been attracted by cuts in business costs Singapore tunes in to the electronics boom

IN A renovated factory building in Singapore's Jurong Industrial Estate, employees of Aiwa, the Japanese consumer electronics company, are quickly bolting together tables, conveyor belts and electronic testing equipment, just as soon as they come in from the airport.

In a scramble to escape the effects of the yen's appreciation, Aiwa is closing down its main Japanese factory, shutting off production lines one at a time, dismantling them and turning the switch on reassembled equipment in Singapore just six weeks later. At least 25 per cent of Aiwa's output will be exported to Japan.

Aiwa is joining a stream of electronics companies from around the globe that have been expanding their operations in Singapore in recent months. The surge of interest in the electronics industry, which matched equally by increases in production and export of electronic products, is one of the clearest signs yet that the Singapore government's efforts to lure in foreign investment are working.

The scope of the industry has now reached a critical mass. End product manufacturers have supported the growth of the electronics industry, which in turn makes it easy for new entrants to set up shop quickly.

The manufacturing industry now runs the gamut from sophisticated silicon wafer fabrication, for which SGS Semiconductor is the first entrant, to run-of-the-mill assembly of audio equipment and televisions. Singapore has now become the world's largest manufacturer of disk drives, with Seagate Technology having three factories that employ

about 6,000 workers and produce 11,000 disk drives a day. When the Government slashed import duties on electronic components as companies begin to take advantage of Singapore's relatively cheap supply of engineers to establish local design and research and development facilities.

It is all something of a dream come true for the Singapore Government, which watched its electronics industry fall off sharply from a peak in the third quarter of 1984. The future of the industry was precarious because of the sharp rise of local labour costs earlier in the decade.

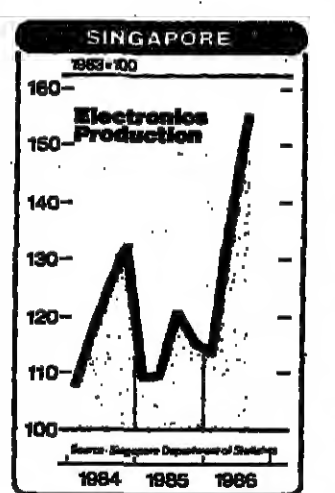
Now electronics is leading the economy out of a deep recession that still plagues many other sectors.

Singapore's electronics industry is dominated overwhelmingly by foreign companies producing for export. Virtually all the major players are present from the Japanese giants Matsushita and Hitachi to European and American companies such as Philips, Nixdorf, AT&T and General Electric.

Unlike other countries in the region, Singapore does not have rules that limit foreign ownership, mandate technology transfer, or set limits on employment of foreign expertise. Capital can be moved quickly in and out.

Indeed, because of its small size, with a population of just 2.5m, Singapore's political leaders have ruled out the possibility that any single domestic company could be large enough to compete seriously against the technological giants that have set up shop here.

Since the multinationals are not seen as a threat to national



development, the Government has no reason to erect barriers to limit their operations. Instead it sees their presence as providing employment and opportunities for Singapore entrepreneurs who are encouraged to specialise in manufacturing or service niches.

The attraction during the last decade, when many manufacturers first came to Singapore, was cheap wages pure and simple. Labour intensive assembly jobs such as soldering transistors, circuit board assembly had become far too expensive for Europe or America and workers did not need high skills or education.

The Government's "high wage" policy of the early 1980s, however, undercut this rationale. The Government in essence told manufacturers that they would have to raise productivity to match the jump in wages, but investors were driven away.

Early last year, as part of a

package to revive a seriously flagging economy, labour costs dipped by about 12 per cent when the Government slashed employers' contributions to the national pension scheme. The Government implemented a programme of wage restraint and promised to keep the lid on for another year.

Even so, Singapore's wages are far higher than its neighbours' and wages alone cannot explain the growth of the industry.

Mr Yoshio Uenohashi, Aiwa Singapore's production director, admits that if his company had had sufficient time it might have chosen to expand in a country where wages were lower. But with Aiwa's profits plunging into the red last year due to the effects of the high yen, it had no time to look around.

Aiwa had had a successful operation in Singapore and instead of expanding, the factory space was readily available and utility costs were coming down and a new operation could start without delay.

Aiwa is still able to take advantage of cheap wages in neighbouring countries by contracting out mechanical assembly jobs, where precision is less important, to companies in Malaysia.

Mr Uenohashi also makes the rather startling observation that Singaporeans are more international in outlook than Japanese, have better command of English, and that this will be a big plus for a company that is depending on foreign markets.

The cost calculus for Matsushita has come out more or less the same. Matsushita operates six different companies in Singapore that produced \$963m (\$192m) of goods last year.

Despite the higher labour costs, says Mr Norio Gomi, managing director of Matsushita Denchi, Singapore's radio telecommunications facilities, air and sea freight connections, and other supporting infrastructure make the total cost of the manufacturing operation lower than would be the case elsewhere in the region.

Matsushita Denchi has recently made preparations for the assembly of 256Kbit chips in Singapore, with production to get under way as soon as demand picks up.

"The market is shifting from Japan to this region," says Mr Gomi.

Amid all this good news there are still some dissenters. Mr Nobuo Kanou, a senior executive from Sony, told a seminar in Singapore last autumn that Sony would not invest in the island state. He voiced a complaint expressed privately by many Japanese executives when he said that job hopping was too frequent. This is a growing worry, as many Japanese companies take Singaporeans to the home office for up to two years of training.

Government officials say the complaint is particularly strong from Japanese employers, who are used to a more stable labour market at home, but that companies based in other nations have not encountered problems.

Mr Kanou also said the infrastructure, labour force and parts supply still cannot support a truly high technology industry, as opposed to sophisticated assembly operations. In this he may be right, but the development of the industry is rapidly pushing it in that direction and the Government is doing everything to ease the way.

## Egypt power station pact

BY TONY WALKER IN CAIRO

AUSTRALIA and Egypt have agreed to collaborate on a detailed specification for a \$2bn (£1.3bn) coal-fired power station and coal transshipment project on the Gulf of Suez, south-east of Cairo.

Mr Bob Hawke, Australia's Prime Minister, confirmed on a visit to Cairo that his government would help fund a detailed appraisal of the Zafarana project.

Egypt has said it will meet the local currency costs of drawing up specifications. The project would be part-funded by the World Bank.

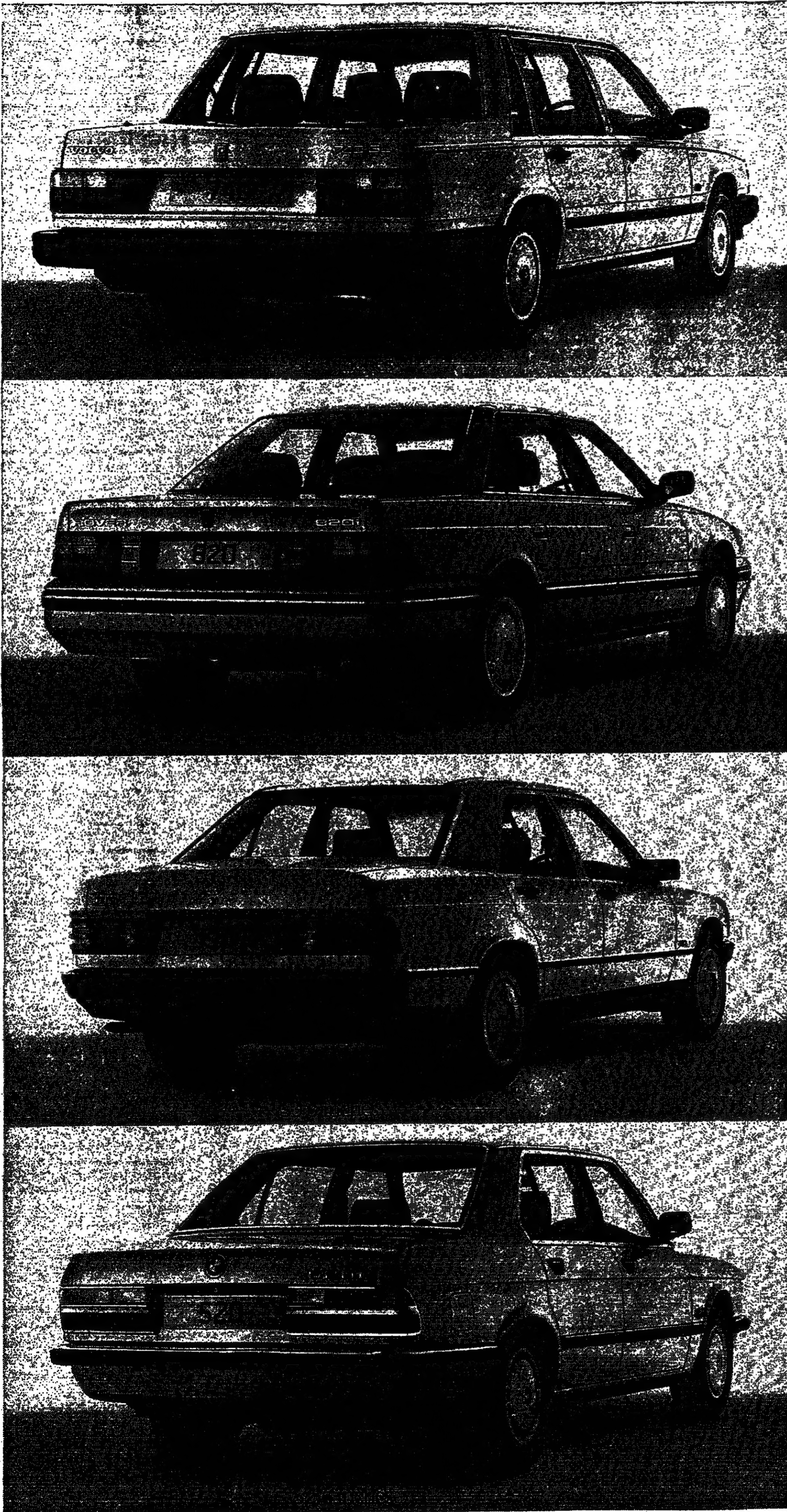
Australian companies have expressed an interest in the project. It would include a 2,000 mw power station (4 x 500 mw units) plus a port capable of handling 15m tonnes of coal a year for distribution in Egypt and elsewhere in the region.

Siemens of West Germany, General Electric of the US and several other international groups have been involved.

Australian sources say that if the project goes ahead, it would encourage the expansion of coal mines in Australia and the possible opening of new ones.



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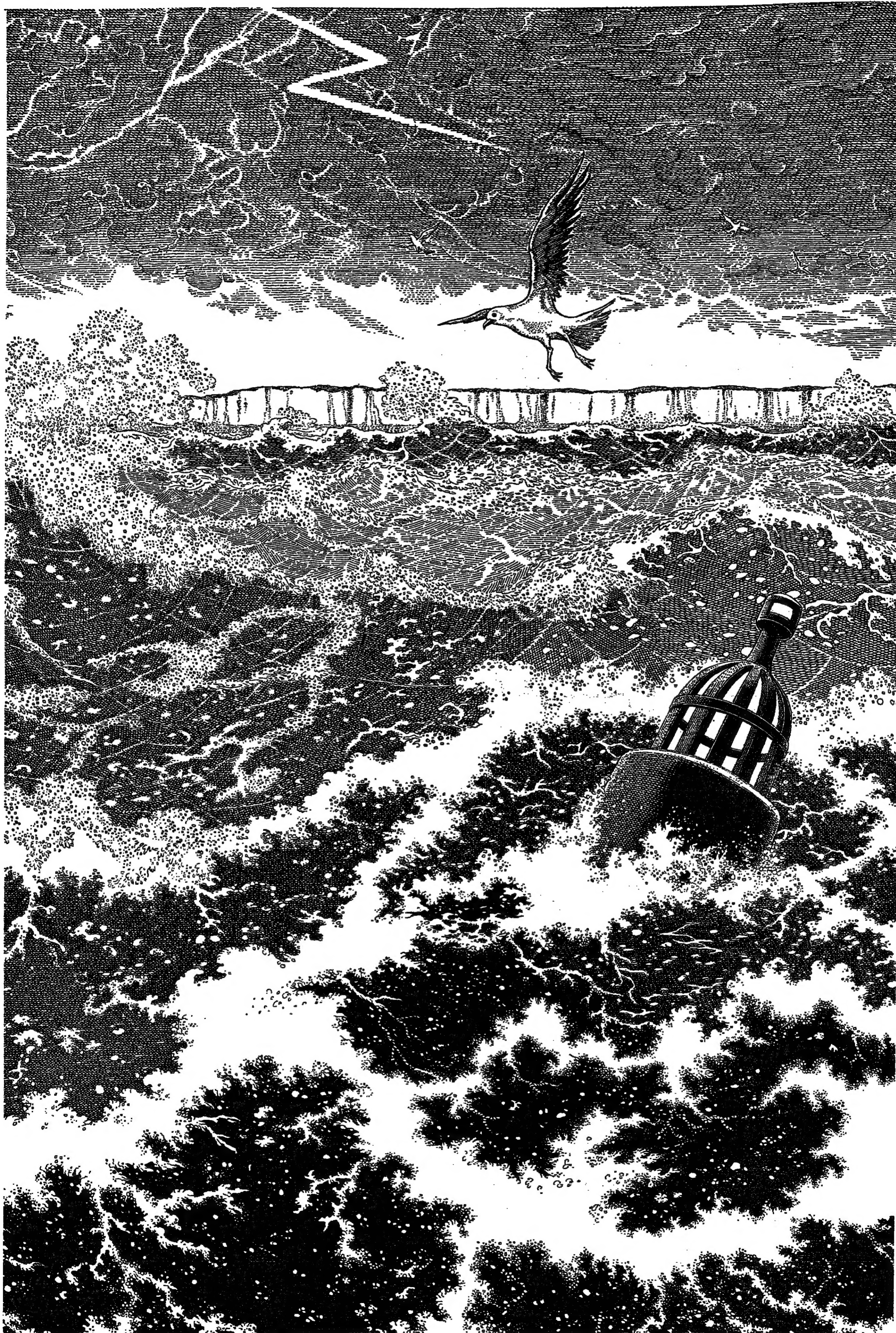
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## UK NEWS

# Merger creates biggest legal firm in Britain

BY HAZEL DUFFY

BRITAIN'S biggest law firm was formed yesterday through the merger of two City of London firms, Clifford-Turner and Coward Chance.

The merger will become effective on May 1st and the firm will be known as Clifford Chance. It will have over 180 partners, more than double that of Linklaters & Paines, and Slaughter & May. Together with Clifford-Turner, they made up the top three City firms ranked according to number of partners. Firms of solicitors do not reveal fee income.

The rationale for the merger, which has been a closely guarded secret while under discussion for the past few months, was said yesterday to be a response to the needs of the international financial and business community.

Competition among the top City firms is increasing as their clients negotiate more complex deals, requiring legal expertise with specialist knowledge in financial matters. A merger between two more City firms - Richards Butler and Cameron Markby - is expected to be announced shortly.

The last sizeable City merger was in 1980, when Cameron Markby was formed. Some lawyers believe that there could be more, with the Government now considering giving permission for partnerships of mixed professions.

## Freight services hit in Irish shipping strike

BY HUGH CARNAGY IN DUBLIN

ALL FREIGHT and passenger services from the Republic of Ireland on the state-owned B&I shipping line were at a standstill last night after the escalation of labour disputes that have plagued the loss-making company for months. Ship's officers extended their strike from the passenger service to the freight service yesterday when talks broke down in a dispute over manning levels and scheduling. The freight service was already down to half capacity because of another unresolved dispute with craftsmen.

Only a freight service from Larne, in Northern Ireland, to Britain was still operating yesterday. Apart from the immediate disputes, B&I is struggling to get agreement with its unions on a survival plan involving nearly 400 redundancies. The dispute is costing the company more than £500,000 a week.

# Grey market begins in British Airways

BY RICHARD TOMKINS

CLEVELAND SECURITIES, the UK licensed dealer which said it would not make a grey market in British Airways' shares in advance of official dealings, yesterday performed an unexpected about-turn and started trading the stock at a premium of more than 25 per cent to its issue price.

At the close yesterday it was quoting a buy/sell price of 80p/85p for the 65p partly-paid shares, reflecting widespread expectations that the issue will close oversubscribed on Friday and go to a healthy premium when official dealings begin on Wednesday next week.

Grey market dealing consists mainly of trading shares in new issues before letters of allotment have gone out. Last month Cleveland announced that it would no longer make grey markets in privatisation stocks because of hostile comment over its role in last year's British Gas flotation.

This appeared to rule out the possibility of grey market dealings in British Airways' shares because Prior Harwin, the only other grey market dealer, had been closed down a month earlier by the Department of Trade and Industry. Yesterday, Cleveland said it had

reviewed its position in the light of press comment and the "obvious" premium which the shares would attract.

"We were under a lot of pressure from our institutional and international clients to make a price," said Mr Harvey Lawrence, Cleveland's corporate finance director.

"We were already making a market in Paribas (the French state-owned investment bank), and it seemed odd to them that we were making a market in a French privatisation stock but not in a British one."

Mr Lawrence stressed that Cleveland would only deal with institutional clients and that the minimum size of trade would be 25,000 shares.

Cleveland thinks it can afford to risk the Government's displeasure over dealings in British Airways because the attractive premium it is quoting is likely to encourage investment in the stock.

Criticism about its role in the British Gas flotation centred mainly on the fact that the low premiums sometimes quoted could have put people off the shares and jeopardised the flotation's success.

Cleveland's move vindicates the decision of Hill Samuel, the merchant bank sponsoring British Airways' flotation, to arrange for official dealings in the shares to begin five days before letters of allotment go out.

The justification for the decision had always been that it was necessary to minimise the amount of time during which grey market dealers might be tempted to operate. That rationale began to look tenuous when Cleveland said it was not going to deal.

## Striking telephone engineers may phase productivity moves

BY CHARLES LEADBEATER, LABOUR STAFF

MR JOHN GOLDING, the general secretary of the National Communications Union (NCU) met senior British Telecom managers last night in an effort to give renewed momentum to talks aimed at ending the strike by 110,000 telephone engineers.

The meeting was arranged to see if the two sides could agree a revised framework to allow detailed negotiations to consider phasing in some of the productivity measures BT wants over a longer period.

Mr Golding proposed that some of the productivity measures BT wants should be considered as part of this year's pay talks. This may allow the 1986 award to be made with fewer strings attached to it, which would go some way to meet the union's demand that pay and productivity should be dealt with separately.

The Government is to crack down on the use of unapproved cordless telephones because they are interfering with emergency services. Mr John Birtcher, Telecommunications Minister, announced that he would introduce legislation within the next two months to restrict the import, sale, manufacture and possession of the phones.

The strike follows the breakdown of negotiations on the union's 1986 claim. The union claimed that the strike is starting to affect the City of London. Several important City exchanges were out of action yesterday afternoon, the union said.

Negotiations on the two annual pay awards are on the verge of

merging, as the NCU normally submits its claim in March.

Mr Iain Vallance, BT's chief executive, said that before entering the 1987 pay round the company would have to conclude specific agreements on how the efficiency measures would be implemented.

However, he did not rule out the possibility that they could be phased in over a longer period, rather than introduced as a package in the 1986 settlement.

Union leaders recognise they will have to offer the company a detailed timetable for introducing the efficiency measures, and agree to some form of part of the 1986 settlement.

The engineers' pay negotiating team met yesterday to draw up a proposed timetable for introducing the changes to working practices.

## Dunlop Slazenger's chief to lead Raleigh

BY LISA WOOD

MR ALAN FINDEN-CROFTS, chief executive of Dunlop Slazenger International, part of BTR, the industrial conglomerate, has been appointed the future group chief executive of the Raleigh bicycle business.

Raleigh was sold this month for £18m by TI group to Derby International, a specially created international corporation.

TI Raleigh, based in Nottingham with factories in Holland and Canada, has suffered losses for seven years despite efforts by TI to turn the business around.

Mr Finden-Crofts said: "We have paid this price on future gain and not past performance."

Mr Finden-Crofts, who has a 12 per cent equity stake in Derby International, said: "The business is capable of being turned around in the next two years. It will however take between three and five years to have it safe and sound."

He said the Raleigh and its component maker, Sturmeys-Archer, were in a similar position to that of Dunlop Slazenger four years ago, with excellent international brands linked with the best product technology but with a high-cost operational base in the UK.

Mr Finden-Crofts said: "There has been no effective international co-ordination of product design, marketing and purchasing, which have been operated within a parent

company environment of industrial rather than consumer product management."

The purchase of Raleigh by Derby International is expected to be completed by March. The founding shareholders of Derby International are Mr Finden-Crofts, Mr Merlin Nelson, formerly vice-chairman of AMF Incorporated, once the second largest bicycle manufacturer in the US, Mr Robert Johnson, an advisory director of Shearson Lehman Brothers, the US investment bank, and Mr Edward Gottsman, a US lawyer who lives in England who is the lead man.

A number of UK institutions are involved in financing the deal. They include Kleinwort Benson and Barclays de Zoete Wedd, Globe Investment Trust and Witan Investment Corporation. Total shareholders funds of the new group will be more than £45m.

The international bicycle market is fragmented with strong local preferences but Mr Finden-Crofts is confident that he can rebuild a major international business around a basic product range.

While Europe will continue to be a major focus of Raleigh export efforts, Mr Finden-Crofts is also looking to the US. Prior to 1979 the company sold some 250,000 bicycles a year there but it was largely priced out of the market with the strength of sterling.

## Employers may hold conference on Aids

By David Brindle

BRITISH EMPLOYERS may hold a special conference on the disease Aids, after disclosure that the airline, Dan-Air, had cited the disease in support of its former policy of not employing male cabin staff.

The disclosure is the first hard evidence of a big employer having discriminated against supposed or overt homosexuals on grounds that they could spread Aids.

The Confederation of British Industry (CBI) said it had been receiving a growing number of inquiries from employers about the risks posed by the disease. It had recently issued guidelines on the risks and consequences for employment policy, but was considering whether it should hold a special conference.

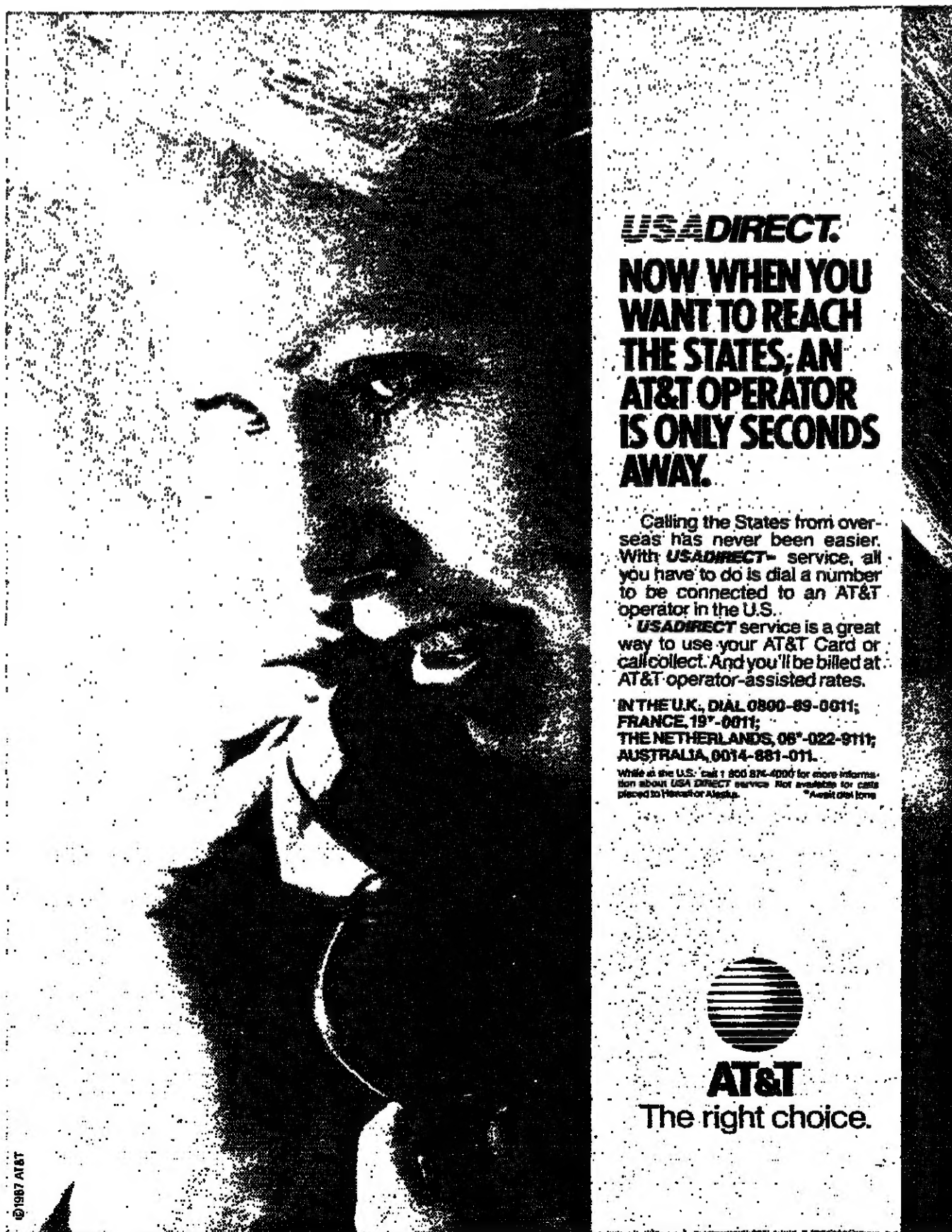
The Employment Department has already issued its own guidelines to more than 600,000 companies, warning that discrimination against carriers of the Aids virus would in most cases leave employers open to actions for damages.

Evidence of former discrimination by Dan-Air emerged yesterday in publication by the Equal Opportunities Commission of its investigation report on the airline's practice, which ended last year, of employing only female cabin staff.

The report says that in 1985, during the investigation, Dan-Air and its parent company, Davies & Newman Holdings, had told the commission that the airline's company doctor had advised against changing the all-women recruitment policy until the diagnosis and treatment of Aids became clearer.

According to the report, Dan-Air's counsel had submitted that Aids mainly affected homosexuals and that up to 30 per cent of men attracted to cabin staff work were homosexual. Cabin staff were "sexually promiscuous" and the disease could be transmitted through sexual intercourse or, to passengers, through sniffers either cutting themselves or administering artificial resuscitation, the report added.

Dan-Air said last night that it had not alleged promiscuity on the part of cabin staff, but it otherwise defended its former policy on the basis that relatively little had been known about Aids at the time.



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Lucy Kellaway analyses the position of offshore development after recent price rises and before next month's Budget

# Few prospects on horizon to lift North Sea drilling out of doldrums

THE CUTS announced by the oil industry for the North Sea last year are hitting hard. Only 18 wells are being drilled in the UK sector, compared with 50 a little over a year ago.

At fabrication yards the workers have been watching completed platforms sail out to sea, and are growing desperate for something more to do.

However, since oil companies drew up their slender budgets for this year, the oil price—expected by most to remain near \$15—has risen by about 20 per cent. But has the rise come in time to provide enough work to keep development teams together, and keep the industry alive?

A dramatic recovery would be too much to hope for. While the present price of \$18 a barrel is clearly better than \$12 to \$15, it is a long way from the \$30 price which was previously the background for most North Sea projects.

However, recent improvement in prices may protect the industry from an even bleaker future. The Royal Bank of Scotland estimates that the recent price rise may have saved up to 10,000 oil-related jobs in Scotland, as developments which were previously uneconomic are now likely to go ahead.

According to Wood Mackenzie, the broker, at \$15 a barrel only one proposed North Sea

oil development, the big Miller field, achieves a return of more than 10 per cent, while at \$18 four more fields—Ettick, Arbroath, Osprey and Don—pass the test.

Any recovery will not happen in a hurry. So far the industry, still fragile after the events of last year, does not accept that oil prices have settled at \$18 a barrel and has no plans to rethink its budgets.

Mr Julian West, of Enterprise

**For the industry as a whole, last year may have been a boon, in forcing it to find cheaper ways of doing things**

Oil, says: "Do I believe the oil price outlook has changed? The answer has to be no."

Mr Chris Greentree, chief executive of Lamsco, says: "I cannot see anyone taking a development decision on the fact that the oil price has gone up by \$5."

However, there are other reasons for expecting 1987 to be a better year for oil developments than 1986, during which the Department of Energy did not receive one application for an oil field development.

One important spur is falling costs, which have occurred as a direct result of the fall in the oil price.

Mr Martin Lovegrove, of James Capel, says: "For the industry as a whole, last year may have been a boon, in forcing it to find cheaper ways of doing things."

He argues that a cut in development costs has a more immediate effect on field economics than a rise in the oil price, as the benefits are felt immediately rather than being delayed for several years until the first oil is produced.

Both of the two large developments under prospect, Shell's Kittiwake and BP's Miller field, were returned to the drawing board as the oil price plunged and plans have been produced costing between 20 and 30 per cent less.

All the old "gold plating" of developments has gone and cost-saving technologies have been introduced, with the result that both are profitable even at present oil prices.

Miller, probably the first of the two to be approved, contains about 300m barrels and is likely to cost nearly £1bn, making it the largest oil development for several years.

The studies have been done and are being scrutinised by the partners to decide which of the alternative schemes is best.

This may take a while. "The



pile of papers goes from the floor half way up the wall," Mr West says. Enterprise owns 30 per cent of Miller.

An application for permission to develop is unlikely before the summer at the earliest. Shell may be ready later in the year to submit its plans for

approval of Kittiwake which, according to Wood Mackenzie, will cost about £350m to develop and could come on stream by 1991.

Meanwhile, the smaller Arbroath field, which has been ready for development for the past five years, is now likely to

go ahead, following the resolution in December of a dispute between the Department of Energy and the operator, Amoco, over the field's status.

Even stronger candidates for early development are tiny satellites—Shell's Osprey field and Mobil's Ness field—which together contain only 75m barrels and which will be relatively cheap to develop as they will be linked to existing platforms.

Less certain, but more exciting, is Chevron's Alba prospect, which is still being appraised. It could be one of the largest fields discovered in the North Sea, with estimates of recoverable reserves ranging up to 700m barrels.

The companies involved are keeping quiet about the discovery, but are thought to be discussing plans for bringing the field to early production.

But the first development likely to be announced this year will probably be in the gas sector, which has remained relatively unaffected by the fall in the oil price.

Within the next few weeks plans for the Audrey gas field are likely to be submitted.

Phillips, the operator of the field, signed agreements with British Gas in 1983 promising first deliveries will start in 1988.

Conoco is believed to have reached agreement with British

Gas over the sale of the rest of the gas and, once approved, development will have to proceed rapidly to meet the 1988 target.

Other gas fields likely to be approved this year include the Ravenspurn North and Amethyst fields, although the timing of these will depend on the progress of negotiations with British Gas.

Meanwhile, the chances of a pick-up in exploration drilling,

**Companies are waiting anxiously to see whether the Budget will bring any tax breaks they have been demanding**

which was down by about a quarter last year, are slim. Even though drilling budgets were slashed last year as companies found they did not have enough cash to pay for them, the recent improvement in their cash position is more likely to be spent paying back money to the banks than on exploration.

Mr Greentree says: "If companies have got a bit more money, they might be prepared to drill another well. But that will not make much difference. At the moment we are planning to drill just one

appraisal well in 1987, and we are not much different from anyone else."

But even if drilling did pick up and if all the new developments were given the go-ahead over the next 18 months, prospects do not look sufficiently bright to take the troubled oil industry suppliers off the danger list.

Although the approval of projects such as Miller would give it a big psychological boost, the work—most of which will not reach the suppliers until next year at the earliest—is only part of the load which should have already been placed.

The industry is waiting anxiously to see whether the Budget will bring any of the tax breaks it has been demanding for more than a year.

While the Government's response from the outset had been cool—some fear the latest rise in the oil price might provide the perfect excuse for doing nothing—small concessions now seem likely.

One proposal would allow pre-development costs, including engineering studies and design work, to be offset against petroleum revenue tax from existing fields.

No one pretends this would catapult the industry back to the sort of activity that could be expected if oil prices were \$30. But it would be better than nothing.

## Financial Times Conferences

Technology in the Securities Markets—  
The next five years

London—April 8 and 9, 1987

The Big Bang in the London Stock Exchange last year focused attention on the extent to which the securities markets depend on technology. The systems now in place are only a first step towards automation in stock dealing. In the next five years profound changes are expected and it is to review the next phase that the Financial Times is arranging a second conference on Technology in the Securities Markets. The meeting will be chaired by Mr Patrick Milford-Slade, chairman of the Information Services Board, The Stock Exchange, and Mr Ian Stevens, vice-chairman of Wood Gundy Inc. The speakers include Mr Richard Lawson, deputy chairman of The Securities Association; Mr Gordon Pepper, director and senior adviser of Midland Montagu; Mr George Hayter, divisional director of Information Services, The International Stock Exchange; Mr Ian McGraw, group managing director of the International Commodities Clearing House Limited; and Mr Michael Baker, divisional director, Settlement Services Division of The Stock Exchange.

Cable Television and Satellite Broadcasting  
London—February 18 and 19, 1987

Mr Robert Maxwell will be joining the distinguished panel of speakers to give his views on the new media. Mr Marcus Bicknell, commercial director of the Société Européenne des Satellites will speak in the Forum on developments in Europe addressing the question "Satellite Channels and Medium Power—The Logical Way Ahead?" Mr Ivor Cohen, managing director of Mullard Limited has agreed to speak on the strategies for industry in providing DBS receiving equipment.

Two Topical Conferences: Enterprise,  
Success and Jobs

London—March 31 and April 29, 1987

The National Economic Development Council, NEDC, has involved the Financial Times to assist in the arrangement of two major conferences designed to interest the whole of the British business community. NEDC reaches its 25th birthday this year and the conferences are intended to be a significant part of the celebrations. "Company Success" is the title for the first-day event to be held on March 31. The Rt Hon Nigel Lawson, MP, Chancellor of the Exchequer, will open the proceedings and Mr Paul Groland, Mr David Nickerson, Mr Alan Clements and Dr Robb Willmot are among the contributors. The Rt Hon Lord Young of Grahamstown, Secretary of State for Employment, is to open the second conference "People—The Key to Success" on April 29. Mr Bill Jordan is to take the chair and the speakers include Mr Norman Willis, Sir Peter Thompson, Mr Tom Furiado, Mr Peter Wickens and Mr Tony Gill.

The important conferences are to be held at The Queen Elizabeth II Conference Centre and details are available from the Financial Times Conference Organisation.

All enquiries should be addressed to:  
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Minster House, Arthur Street  
London EC4R 9AX  
Tel: 01-621 1355 (24-hour answering service)  
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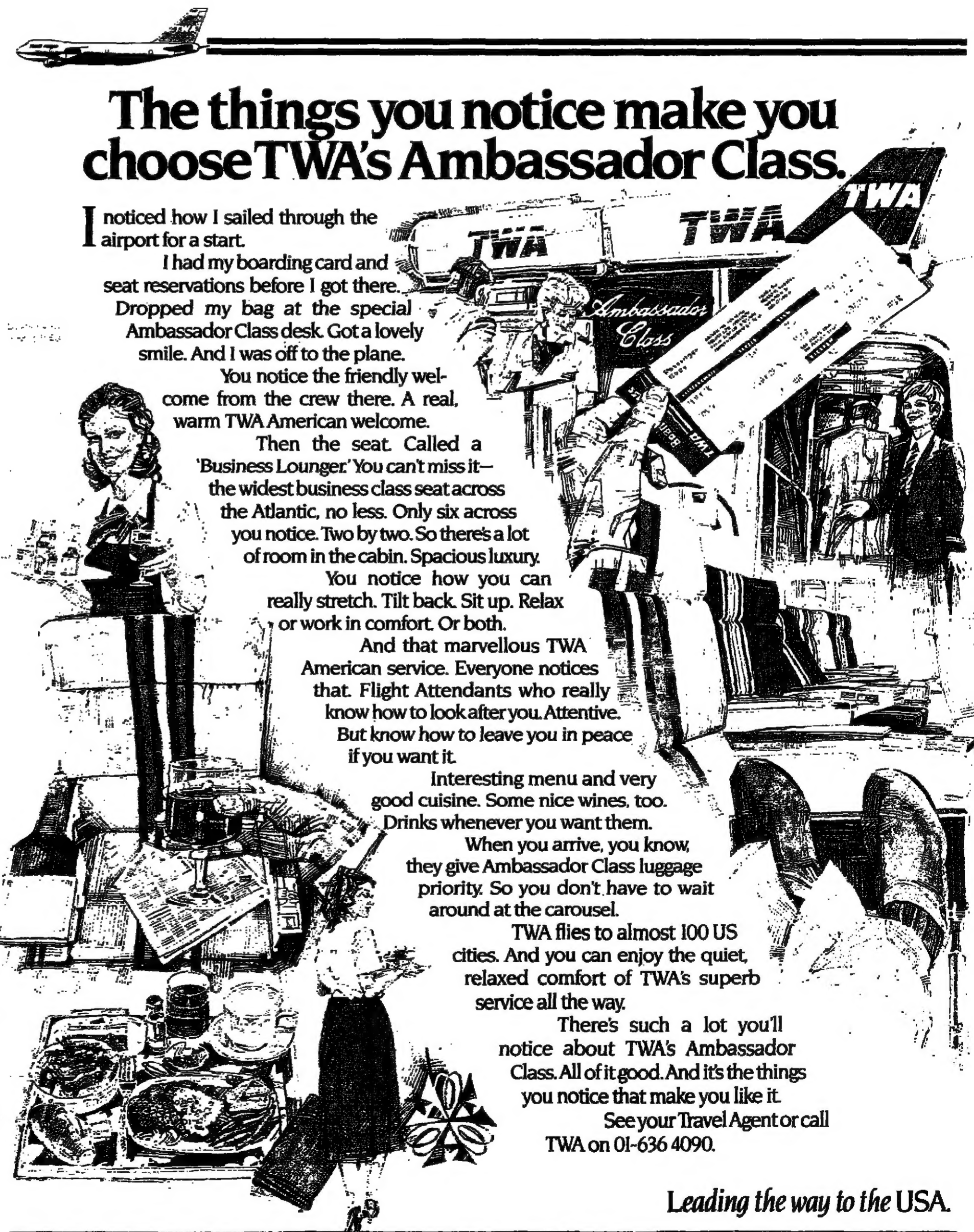
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## UK NEWS

## Soviet finance deal aims to boost British exports

BY PETER MONTAGNON, WORLD TRADE EDITOR

BRITAIN and the Soviet Union have signed a new trade finance agreement designed to substantially boost UK exports to the Soviet Union over the next four years.

The agreement, announced yesterday by Mr Paul Channon, Secretary of State for Trade and Industry, sets out terms under which the Export Credits Guarantee Department (ECGD) will provide financial support for UK exports of capital goods and equipment between now and 1990.

ECGD yesterday declined to put a figure on the contracts expected to be financed under the agreement, but officials said the department had placed no ceiling on its support and that credit facilities offered to the Soviet Union under the arrangement were equal to or better than those on offer from Britain's major trading partners.

The Soviet Union has been negotiating with a number of British companies for major projects in

areas such as power, textile industry modernisation and chemical plants.

Industrialists believe the new agreement could pave the way for the announcement of one or more major contracts to coincide with the planned visit by Mrs Thatcher, the Prime Minister, to Moscow at the end of March.

The agreement should help revive UK exports to the Soviet Union which have fallen back from a peak of £735m in 1984 to around £540m annually at present. The UK has not won a major Soviet order since Davy McKee was commissioned to construct a methanol plant there in 1979.

Parallel to the Government agreement, the Soviet Union has been negotiating credit lines with several major British banks. The first of these, for a total of £250m, was announced by Midland Bank yesterday. Barclays said it was finalising a similar deal and other lead-

ing banks are expected to sign credit lines shortly.

A feature of the agreement between the two governments is that it provides for the first time for the Soviet Union to raise UK-guaranteed export finance in European Currency Units (ECUs) instead of just sterling. This will help reduce Soviet interest costs.

Credit will be available for up to 8½ years and the ECGD will not provide subsidies for interest rates below OECD consensus rates. Where more favourable fixed rates are made available, individual arrangements will have to be made by lending banks and the exporters themselves.

Only three other European countries - France, Sweden and Austria - have similar framework agreements with the Soviet Union and the ECGD believes that its new deal matches the most favourable of the three, that offered by France, which still has to be renewed each year.

Alice Rawsthorn reports on the challenge posed by London's Third Market

## Changed climate threatens OTC trading

WHEN Mr Tom Wilmot published his book, *Inside the over-the-counter market*, in 1985 the future, as he saw it, was rosy. The chairman of Harvard Securities, the largest OTC dealer, painted a picture of a "tremendously exciting" market which "those who ignore... do so at their peril."

Today the future looks distinctly different. The financial climate in which the OTC market operates has changed a great deal in the last two years and for licensed securities dealers like Harvard, few of the changes have been favourable.

Many observers are now posing the question of whether there is a future for over-the-counter dealing. The introduction last week of the Third Market, the London Stock Exchange's new forum for trading in the shares of small companies, poses the most immediate threat to its OTC counterpart.

In many ways the creation of the third tier is a tribute to the success of over-the-counter trading. As the stock exchange freely admits, the growth of the OTC market was one of the factors behind the decision to

open its own centre for dealings in small, speculative stocks.

The OTC market traces its roots to the early 1970s when M. J. H. Nightingale & Co, now known as Granville, assembled a market of large, private companies traded off the stock exchange floor.

The Granville market still exists but tends to be differentiated from the chief OTC market, which was pioneered by Harvard in the 1970s to deal in more speculative ventures and is now capitalised at £860m.

The 20 or so licensed securities dealers which conduct the OTC market have since recruited more than 200 companies and thousands of investors. But the market's development has been scarred by a series of company collapses and accusations of "cold calling." At the end of last year one of the largest practitioners, Prior Harwin, was forced to stop trading.

Yet the growth of over-the-counter dealing has proved to the stock exchange that demand exists among companies for a less rigorously regulated alternative to the

Unlisted Securities Market (USM) and among shareholders for a source of risk investment.

Thus the Third Market has been introduced to satisfy the needs of these companies and their investors in a regulated forum. Some OTC-quoted companies, including Theme Holdings, Corton Beach and Publishing Holdings, have already "defected" to the new market; others are expected to follow suit.

The OTC dealers maintain that the introduction of the new market has had, and will have, no effect on the interest of either companies or investors. But most observers suspect that the third tier will usurp the role of the OTC market.

"What company would join an unregulated market when it could join an officially regulated forum?" asked Mr Ted Awtrey, partner of the accountants Fost Marwick. "And what investors would buy shares from dealers in an unofficial market when they could do so under the Stock Exchange's protection?"

Just as OTC companies have transferred to the third tier, so have some of the dealers. Croxley Securities

## OTC COMPANIES TRADING TO DECEMBER 1, 1986

Companies recruited	222
Companies still quoted	153
Suspensions	25
Departures	
Full listing	3
Unlisted Securities Market	6
Rule 535 (2)	13
Acquired or Reorganised	14
Repechage or Liquidation	8

Source: Fost Marwick

ties, Frederick's Place, Granville, Guidehouse and United Trust & Credit have all become members of the stock exchange and all intend to become involved in the new market.

Other dealers, including Harvard, have also applied for membership. If these dealers have not secured membership by September, when the Financial Services Act comes into force, their future looks distinctly bleak.

The act will impose rigorous restrictions on the ability of the firms outside the stock exchange to deal in securities. Last year the OTC

dealers, led by Harvard and Prior Harwin, attempted to overcome this problem by introducing the London Securities Exchange, which would function as an alternative forum for small companies shares and would, or so they hoped, be authorised by the Securities and Investments Board as a Registered Investment Exchange.

After Prior Harwin's setback and the collapse of the computer company, OTCL, which was to have provided the technology for the project, plans for the new exchange have been jettisoned. Unless the existing OTC dealers have been accepted as stock exchange member firms by September, it is difficult to see how they could continue.

The Granville market, which is engaged in infrequent institutional transactions, will continue to trade. Harvard maintains that, if its application is rejected - and it claims that there is no reason why it should be - it too will continue.

*Inside the over-the-counter market* by Tom Wilmot, published by Woodhead-Faulkner, £19.95.

## London lacking superstores compared to rest of country

BY CHRISTOPHER PARKES, CONSUMER AFFAIRS EDITOR

LONDON, the city with the most of everything in Britain - jobs, high incomes, cars and people - has too few superstores.

Compared with the rest of the country, residents of the capital and the surrounding counties are distinctly underprivileged when it comes to access to giant, 25,000 sq ft supermarkets selling everything from tea bags to motor cars and cheap petrol from the pumps outside.

The south-east of England comes at the bottom of the national league with 176,000 people to every superstore, compared with 91,000 in Yorkshire and Humberside. The situation is even tighter in Greater London, which scores 307,000 people per outlet.

However, things should improve over the next five years, according to a report from the Institute of Grocery Distribution.

Completion of the M25 orbital motorway and waning resistance in local authorities' planning committees suggest development will accelerate in the south-east, at least, until the people-to-store ratio reaches the 120,000-to-1 prevailing in Scotland, the north of England and the West Midlands.

Retail chains seem undeterred by mounting land prices, even although sites can cost up to £3m an acre, the institute reports. The number of superstores in Britain has risen from 151 in 1977 to 433 last year.

"Many observers question whether numbers can continue to increase at such a rate, and point to the proposed inevitability of superstore saturation," the report says.

"While it is certainly true that sites are getting harder to find and more expensive to purchase and develop, there does not seem to be any let up in the acquisition of such sites by the major multiple companies."

The report adds that with site costs rising, only the biggest retailers may be prepared to invest in the developments.

This would tend to concentrate even more grocery retailing power in the hands of the five top chains, which already account for some 50 per cent of the trade.

Further concentration in the supermarketing business seems inevitable, the report notes, forecasting further mergers and takeovers during 1987.

However, even although the multiples are building more and bigger stores and steadily expanding into new products and new territories, traditional food specialist retailers appear to be holding their own or even improving their position.

The number of specialist bakers appears to be rising, after falling 31 per cent between 1981 and 1984. The 58 per cent decline in butchers' shops over the same period hides the fact that numbers have recently stabilised at around 21,000.

Fishmongers, down 66 per cent to 2,600 shops in 1984, have also been affected by the multiples' activities, and greengrocers are being increasingly pressed as the chains extend their offerings of fresh foods.

More positively, the institute says health food shops now number 1,500 compared with 1,650 in 1980, and more adventurous consumers have provided a market base for some 4,000 specialist delicatessen outlets.

*\*Food Retailing Review 1986, Institute of Grocery Distribution, Leitch House, Westwood, Weymouth, Dorset DT2 8DQ. £80 for company members, £90 individual members, £130 non-members.*

## Table wine maker buys German group

By Lisa Wood

EUROPEAN CELLARS, the table wines business jointly owned by Whitebread and Allied-Lyons, two of Britain's biggest brewers, has acquired for an undisclosed amount Hermann Kendermann GmbH Weinellerei, producers of Black Tower, a German table wine brand which is sold internationally.

The acquisition is the first to be made by European Cellars since its formation six months ago when the two brewers merged their table wines and wholesaling businesses.

European Cellars, whose brands include Calvet Stowells of Chelsea and Den Cortes, said the acquisition was in line with the company's strategy to achieve leadership in the international light wine market.

Black Tower is the brand market leader in the German wine sector in Canada and Australia and is in the number two position in the UK and US.

Kendermann is a family-controlled business with an annual turnover of DM 90m (£28.5m). The Black Tower brand has been developed over the last 10 years.

## Royal Opera House puts plan for offices

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

THE board of the Royal Opera House in London's Covent Garden will tonight seek planning permission for an office development which would partially fund the rehabilitation of the Opera House itself.

The Opera House, home of both the Royal Opera and the Royal Ballet, wants to embark on a £50m improvement of facilities, with the main work done between 1991 and 1993. If it can sell three adjacent sites for office development, it could realise £23m of the total cost.

The professional planners at the Westminster City Council are recommending to tonight's meeting of the planning committee, made up of elected councillors, that the scheme should go ahead in the face of strong opposition from local groups led by the Covent Garden Community Association.

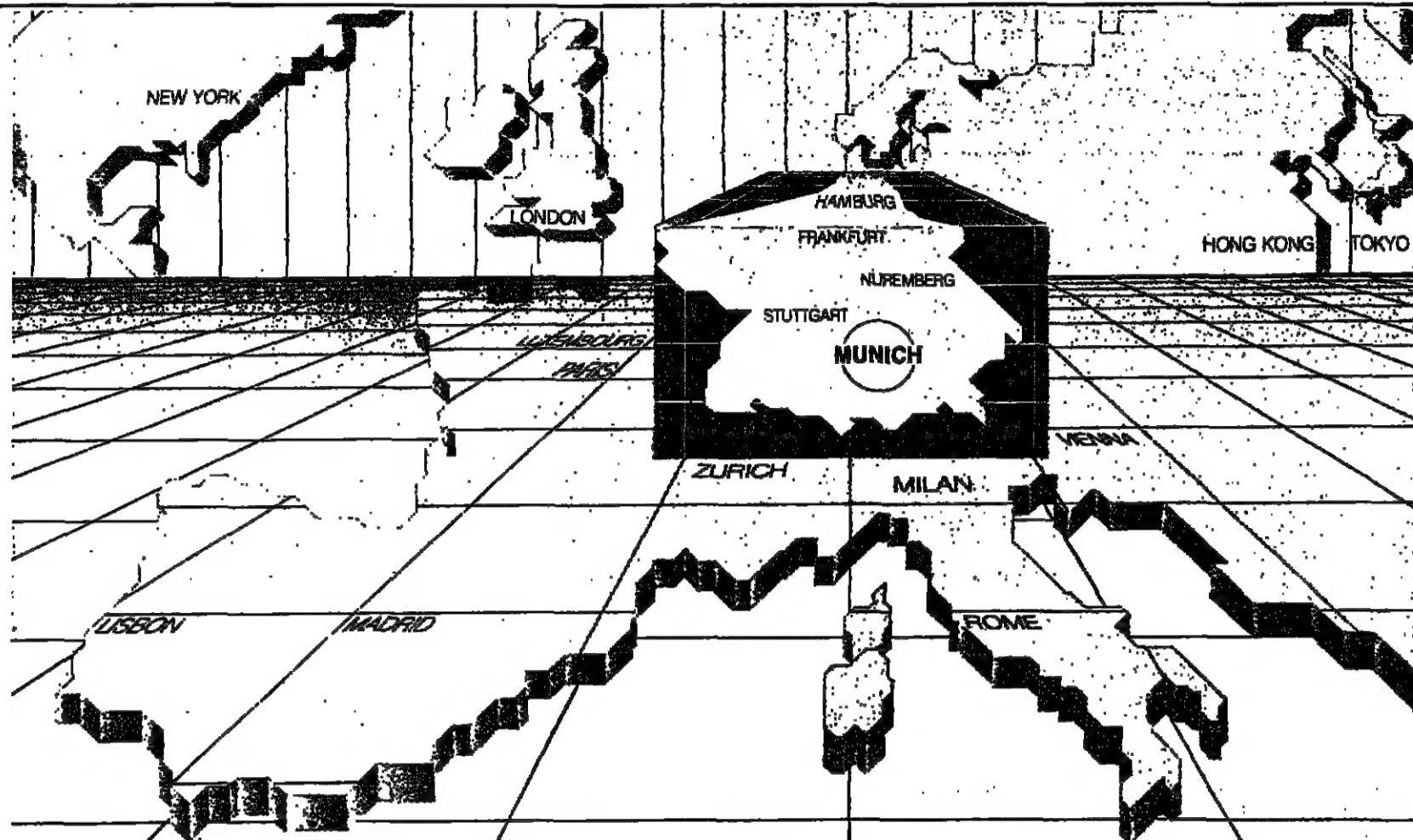
If the city council approves the scheme - which means accepting a change of function from arts use to office use on the three sites the Royal Opera House wishes to sell - then it will probably provoke legal action from the Covent Garden Community Association.

The association has been urging the Opera House to accept an alternative scheme which would involve spare land being used for an international cultural centre instead of offices. Such a scheme, devised by Mr George White, is not thought to be financially viable by the Opera House.

The three sites in question were given to the Royal Opera House in 1974. If they are sold, the association argues, the opportunity will be lost for there later to be a second auditorium at the Opera House.

Once planning permission has been received, the Royal Opera House would call for bids from developers for the purchase of the sites and the office developments upon them. It has calculated that the office developments would cost about £90m.

Receipts of £23m for the land would leave the Opera House with £23m to find from benefactors for the balance of the cost of improving the facilities for the opera and ballet companies. Its target is to identify the sources of the money by September 1988, but a spokesman said, no work would start until its financing had been secured.



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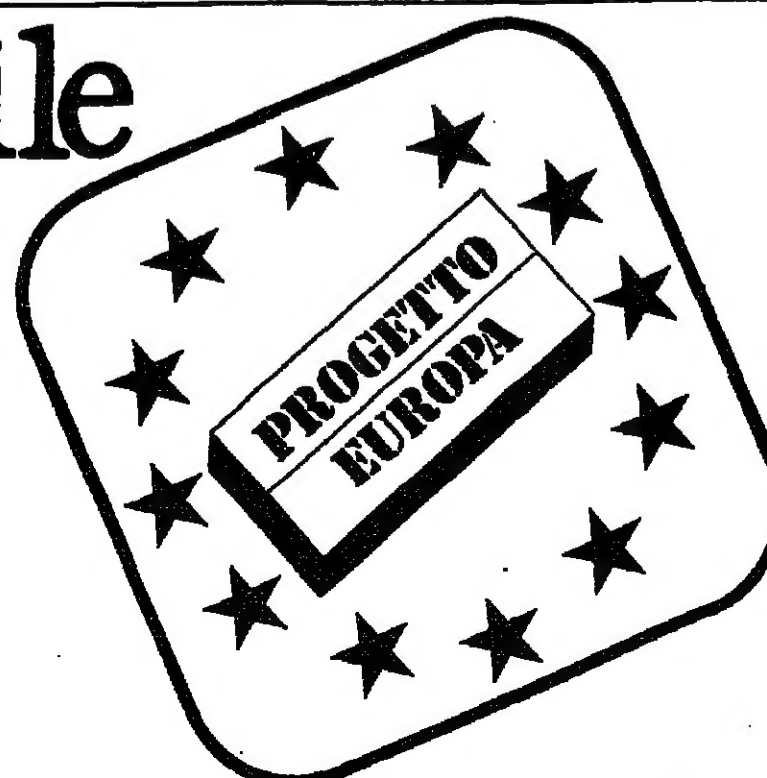
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## "Project Europe" at the Milan Fair

Esprit, Race, Brite, Biotechnology, Channel Tunnel, Airbus, Giotto.

Some of these names are already familiar. Many others mean absolutely nothing to the general public. Nevertheless, there is a common link - they are all the result of European technological and scientific co-operation. Whether they be bi-lateral, multi-lateral, or Community projects, they nevertheless represent a positive attempt to co-ordinate co-operation in the field of research and industrial development without which our continent would be unable to respond to the approaching technological challenges of tomorrow.

Salon Europe wishes to increase public awareness of the European dimension of both large and small companies from Italy and abroad, who believe that technological and scientific co-operation is the way not simply to achieve random growth in production, but more importantly affords the possibility of combining economic development with an improvement in the quality of life.

Alongside the reality of this dynamic productive activity, Salon Europe wishes to highlight the most modern and innovative aspects of the European institutions which have promoted and co-financed many of the above mentioned projects.



## UK NEWS

## Land Rover output dips to lowest for 30 years

BY JOHN GRIFFITHS

LAND ROVER production fell by one-third last year to the lowest level since the late 1950s.

The fall, from 31,900 to 21,000 units, compares with peak Land Rover production of 58,525 achieved in 1975.

It is also in sharp contrast to the record demand at present for the company's luxury four-wheel-drive (4wd) vehicle, the Range Rover, which is to be launched in the US next month.

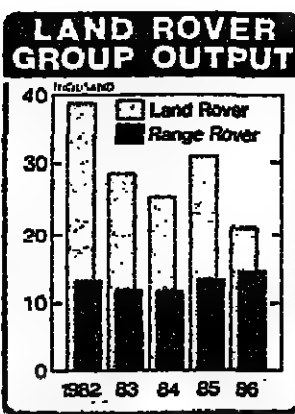
Range Rover production reached 14,494 last year, compared with 13,314 for the previous peak, reached in 1985.

The Land Rover company, part of the UK state-owned Rover Group, was the subject of takeover discussions - along with Leyland Trucks - between the Government and General Motors early last year.

But GM, which envisaged fitting Land Rover into a worldwide 4wd production and marketing network, was forced to withdraw in the face of a strident "keep Land Rover British" campaign.

Despite the output slump, Land Rover officials are adamant that it does not indicate that one of the UK's most famous vehicles, first launched 40 years ago but much developed since then, might at last be falling victim to a flood of rival new products from Japan.

The possibility of such a development has been aired with greater frequency, not because the Land Rover itself might be uncompetitive with newer rivals, but because the Japanese industry is producing many more types and sizes of light-four-wheel drive vehicles. In doing so it is fragmenting Land Rover's



traditional market.

Land Rover claims that the decline is largely a result of the continuing problems of important markets in the Third World. This was made worse last year by plunging oil prices which undermined business in valued Open states. It is a problem being shared equally by the Japanese 4wd producers, Land Rover executives insist.

Unofficial figures circulating in the industry support Land Rover's contention. They indicate that Japanese shipments of utility 4wd vehicles to Africa, the Middle East and main Far Eastern markets were down by just under 40 per cent last year compared with 1985.

While no figures are available for the last quarter of 1986, the industry figures show shipments of Toyota's Landcruiser totalling around 41,000 in the first nine months of last year, compared with 105,000 in all of 1985; shipments of 7,400 Nissan Patrols (14,000) and 9,800 Mitsubishi Pajeros (19,000).

Land Rover has still fared worse than most of its Japanese rivals, however. It exported 10,000 vehicles to these markets in full-year 1986, compared with 20,000 a year earlier. But it has held its unit sales in the UK and on the European continent at around 10,500 units.

The Range Rover had both record sales and production last year. The UK remained the best single market with sales of 4,228 vehicles up 25 per cent on 1985. Sales to Continental Europe reached a record 7,789 units, up 46 per cent. A turbo-diesel model launched only last spring accounted for one third of the sales.

Land Rover hopes to achieve 8,000 Range Rover sales a year in the US, where 900 dealers applied for the franchise, although only 36 have been appointed as an initial network, with a further 30 to be added by the end of this year.

Despite the drop in Land Rover demand, the higher sales and per-unit value of the Range Rover is expected to have left the company's revenue from the two vehicles' sales unchanged at around £400m last year.

Strict comparisons with 1985 cannot be made, as Freight Rover, the vans subsidiary, was removed from Land Rover in the middle of last year.

Land Rover and Freight Rover combined made an operating profit of £10m in 1985, and a first-half profit of £5m in the year just ended. The full year figures are expected to show an operating profit of about £12m.

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## Japanese bank signs £2m City tenancy

By Paul Cheeseright, Property Correspondent

THE BIGGEST property development ever directly undertaken by a British property unit trust has been let to Japan's biggest bank. But the office block in the City of London has not yet been constructed.

Lazard Property Unit Trust announced that it would be charging Dai-ichi Kangyo Bank more than £2m a year for the tenancy of an office building just north of London Bridge on the edge of the financial core of the City.

An existing building, once occupied by the Moscow Narodny Bank, is being pulled down to make way for a new seven storey block, with 57,000 square feet of office space. It is due for completion by the summer of next year.

Pressure on space in the City of London has led increasingly to offices being let before they exist. At the same time, the letting to Dai-ichi Kangyo underlines the growing interest of Japanese institutions in the City.

Nomura Securities, for example, has bought a property in the west of the City being developed by Glenfarge and Kumagai Gumi, again before it has been completed.

The rent Dai-ichi Kangyo will pay Lazard Property Unit Trust works out at over £31 a square foot, the top end of the range for properties in the London Bridge area. The figure was worked out during the six months of negotiations between the trust and De Groot Collis, the agents acting for Dai-ichi Kangyo. The property has never been on the open market.

Lazard Property Unit Trust has a portfolio worth £174m. It is an investment vehicle for tax-exempt investors such as pension funds. Property unit trusts mainly finance the developments of other companies, but Lazard has branched out into direct investment on its account.

It has held the site and building by London Bridge since the early 1970s. Once the new building has been completed it will have an investment value of around £35m.

don's Heathrow airport.

The latest round in the air-fare war follows a similar one last October when Transavia, formerly a charter airline, began scheduled services to London by slashing fares 50 per cent to £13.13 roundtrip. KLM followed suit on its Amsterdam-Gatwick route but all the discounts ended on December 31 1986.

In the three years since the Netherlands and the UK signed a bilateral "open skies" treaty, the number of airlines has soared and competition has stiffened considerably. A total of seven airlines now fly between Amsterdam and London and several more are waiting in the wings.

British Airways has ignored the price war by arguing that it flies to Heathrow and no one is trimming those fares. British Midland is sticking with its successful formula of undercutting business-class competitors with fares that are 15 per cent to 30 per cent cheaper.

## Air fares war starts on Amsterdam route

BY LAURA RAUN IN AMSTERDAM

A new round of price cuts has broken out in the air fare war between Amsterdam and London.

KLM Royal Dutch Airlines and British Caledonian have both returned to a 21 per cent cut in air fare offered by Transavia, an airline owned by the Dutch shipping group Nedlloyd which last year launched a service to London with deep discounts.

Last week Transavia announced it would offer a round trip tourist fare without conditions of £1 496 (£180) between Amsterdam and London (Gatwick) beginning on February 15, down from £1 626. It also plans to add a fourth flight per day.

Now British Caledonian also plans to sell a round trip tourist ticket for the same price, while KLM, the Dutch flag carrier, will offer two tickets for the price of one £1 499 ticket. The new discounts apply only to service between Amsterdam and Gatwick and not to London's Heathrow airport.

## Westland presses for helicopters decision

BY DAVID BUCHAN

THE Ministry of Defence said yesterday it would make a decision in the next few weeks on future orders for troop-carrying support helicopters, it gave no indication of which way that decision would go.

The MoD is facing pressure from Westland, the helicopter manufacturer, to place early orders to tide the company, based at Yeovil in the west of England, over a barren two years in its order book, from 1988 to 1990, before it starts production of the Anglo-Italian EH 101 helicopter.

At issue is the replacement of the Wessex and Puma light support helicopters, which have been in service since the mid-1950s and mid-1960s respectively. Westland wants this replacement made as soon as possible, but the MoD has taken several years to consider its requirements and is only now coming to a conclusion.

The options now under study cover the utility version of the EH 101, the Sikorsky-designed Black Hawk, and the Lynx - all of which are, or will be, made by Westland.

## Sealink may sell harbour to leisure group

By Our Industrial Staff

SEALINK UK, the ferry and ports subsidiary of Sea Containers, said yesterday that it was considering an offer for its Folkestone Harbour operation from Brent Walker, the leisure group.

Mr James Sherwood, president of Sea Containers, is expected to meet Mr George Walker, chairman of Brent Walker, this week to complete negotiations. Brent Walker is believed to have offered more than £11m for Folkestone. It was not clear, however, whether this included the two ferries operated by Sealink to Boulogne.

Neither company would comment on suggestions that the harbour would be redeveloped as a marina, or that the two ships could be refurbished to operate as floating superstores for shoppers.

Sealink is known to have made substantial losses on its Folkestone operation since the company was sold to Sea Containers for £50m in 1984.

Analysts said the disposal of Folkestone would be a sensible move for Sealink, particularly in view of the impact of the proposed Channel Tunnel. Trade unions, which have just voted to accept a report on the future of the port drawn up by a joint working party.

## Construction begins on Docklands office towers

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

CONSTRUCTION WORK can at last begin on the infrastructure for the £35m Canary Wharf scheme in London's Docklands, the 12.4m sq ft project which its developers claim to be the largest single office development yet planned.

The project - which is intended to give London the highest office towers between New York and Tokyo - was delayed while the Canary Wharf Development Company waited for the final planning and legislative hurdle to be cleared.

The developers - a consortium of banks including Credit Suisse First Boston, Morgan Stanley International and First Boston International - with the Travelstead property group - could not go ahead with their scheme until the royal assent had been given to the bill permitting an extension of the Docklands Light Railway into the heart of the City of London.

When this was finally granted at the end of December, the developers at last knew that the project had a chance of success. It would be possible to travel in 10 minutes to

the Bank of England from their planned offices, shops, wine bars and dealing rooms on the Isle of Dogs, two miles east of the City.

Other hurdles remain, such as the question of road access. The difficulty for Canary Wharf Development is that apart from the sponsors, no big financial institution has so far been prepared to take the large amount of space needed to make the project financially secure. Negotiations with prospective tenants continue.

Despite these factors, Canary Wharf Contractors - a joint venture set up by Taylor Woodrow, Costain, Laing, John Mowlem and Sir Robert McAlpine, with Bechtel as overall construction manager - have been at work preparing the 71-acre site by the Thames since last June.

They are now gearing up for a project which they hope will offer them as much work as building the Channel Tunnel and provide 7,000 construction jobs.

They have finished clearing the old warehouses, gravel workings

and rubble that covered the site. They have also stripped out a dozen dockside cranes, one of which is to be cleaned and restored to await its reincarnation as a sculpture in the heart of the development's plaza, a public space larger than Trafalgar Square.

Now that the site is prepared, test piling is under way. The piling for the access roads, the area around the Docklands Light Railway and for the raised platforms for the buildings and open spaces will begin next month.

Although this infrastructural work is under way, it has yet to be decided which will be the first building on the site. Plans for the first buildings, and the identity of their architects, are expected to be announced soon. The master building agreement, which will set out the final terms of the development and contracting arrangements, should be signed in the next few weeks.

Canary Wharf is the brainchild of Mr G. Ware Travelstead, a US developer who wants to have a spectacular project to his name

## TSB accuses staff of breaking rules on share flotation

BY DAVID LASCELLER, BANKING CORRESPONDENT

THE TRUSTEE Savings Bank (TSB) has suspended or dismissed 20 of its employees for breaking rules set for the flotation of the group last September.

The action comes at a time when the Fraud Squad is also investigating 40 to 50 suspected cases of multiple applications by outside investors for shares in the £1.5bn group.

A TSB spokesman would not say last night precisely what actions were being alleged against the employees. However, he said they involved breaches of the TSB's house rules or contraventions of the regulations contained in the TSB's Offer For Sale document. Some of the employees involved are believed to be at branch manager level.

The TSB has detailed house rules

on financial conduct by the bank's 30,000 employees, and breaches can be punished by dismissal. Last year's sale document contained a prominent warning that people making multiple applications for shares would be liable to criminal proceedings.

Special arrangements were made during the sale to ensure that TSB employees had priority in the allocation of shares, which attracted a record number of 5m applications. Each TSB employee was entitled to 150 free shares, and could apply for up to 10,000 more at the offer price using priority application forms.

In addition, employees were allowed to send in one public applications form. All applications had to be in their own name.

The shares were priced at 50p, but when trading started they rose almost instantly to more than 100p, enabling initial investors to double their money if they sold quickly.

The TSB said that its inquiries were continuing, and the Fraud Squad had questioned some of the employees involved. The question of what, if any, disciplinary action should be taken in the case of employees who have been suspended is still being considered.

The revelation by the TSB that 40-50 cases of suspected multiple applications by members of the public are now being investigated enlarges on a statement last week by Sir John Read, chairman. He put the figure at "over 30."



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## TECHNOLOGY

## Apple takes a bite at office versatility

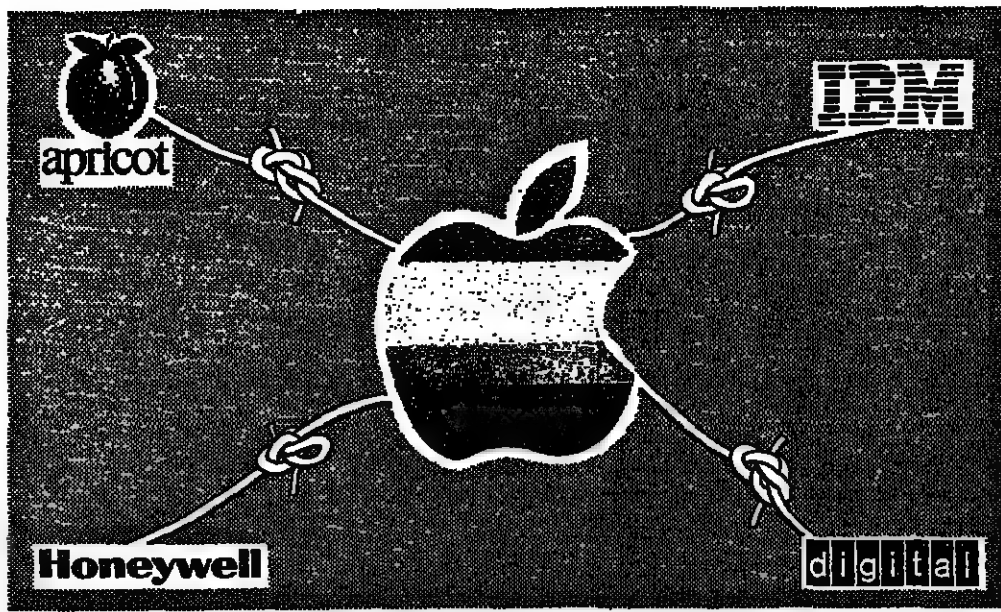
Louise Kehoe in San Francisco reports as the all-conquering Macintosh moves into a wider business arena

FOR APPLE Computer, the road to success in the business personal computer market has been long and bumpy. More than once the company has fallen flat on its face with products that failed to make the grade. But with US retail sales of the Apple Macintosh now outpacing those of any other personal computer, it seems that the company may have finally turned the corner.

The pace quickened last week when Apple unveiled a bundle of "desk-top communications" products designed to link Macintosh and other personal computers on office networks. Significantly this includes IBM's personal computers. The announcement signals the beginning of a new determined effort by Apple to boost its sales to business users.

This time Apple starts its run at the business market with some momentum behind it. Over the past year, Macintosh sales have doubled, largely on the strength of its role as part of a "desk top publishing" system. Teamed with Apple's laserwriter printer and the "Pagemaker" program published by Aldus, a California software company, the Macintosh computer becomes a desk top typesetting system that enables an amateur to produce professional looking brochures, reports and newsletters.

A year ago when we started talking about desk top publishing, most people thought it would be, at best, a very small niche market," remarks John Sculley, Apple chairman and chief executive. "Now it has exploded." According to industry researchers, Apple sold 50,000 Macintosh publishing systems last year and holds a



strong lead in the new market sector, although competition is mounting.

Now Apple aims to repeat its successful "solution selling" strategy in other business application areas—first "desk top communications" and then "desk top engineering." With its new communications products, Apple is attempting to provide a solution to the problem that virtually every personal computer manufacturer and user is battling with—how best to connect dozens of personal computers, minicomputers and mainframes on a network.

Apple's solution is to create Macintosh "workgroup" networks that can be bridged to

larger, higher performance networks through what it calls "network gateways." As in all of its products, Apple stresses ease-of-use. "If you know how to use a Macintosh, you know how to use Appleshare," says Peter Friedman, Apple's marketing manager for desk top communications.

Now the company has added some important pieces to its networking solution. "Appleshare" is a \$799 file-server program that controls a network of up to 25 personal computers—performing the data sharing chores, controlling access, and constantly updating information for every user. Appleshare runs on a dedicated Macintosh computer with a hard

disc drive that becomes, in effect, the network controller. Along with Appleshare, Apple last week unveiled its long promised solution to the problem of how to share information between Apple and IBM personal computers. The company is offering a plug-in circuit board for IBM personal computers that lets the PCs access Apple's laserwriter printer and share information on the Apple network. Apple is also going to give Macintosh owners a free program that translates IBM word processing files into Macintosh files.

Compared to most computer networks, Apple's is unsophisticated. It does not have the broad capacity or speed of, for

example, an Ethernet. Still, Appleshare is useful, relatively inexpensive, and, perhaps most importantly, easy to use. "Apple is taking absolutely the right approach," says Dave Carnivale, an industry analyst with Infocorp.

Next on the agenda for Apple's business marketing plan will be a new version of the Macintosh. In March Apple is expected to unveil the "Open Mac," a souped up version of the Macintosh.

Built around a Motorola 32-bit microprocessor, the new Macintosh will outperform IBM's anticipated 32-bit personal computer, Apple claims. Unlike current versions of the Macintosh, the "Open Mac" will literally open up to allow users to add non-standard functions such as enhanced graphics, more memory and significantly the ability to run IBM-PC programs.

And with a more powerful version of Macintosh in place, Apple is expected to begin its efforts to crack the engineering market with a "desk top engineering" marketing campaign. Engineering applications would call for a large colour display, which Apple is said to have in the works.

After two years, the Apple Macintosh is finally being taken seriously as a business personal computer, but Apple still faces an uphill struggle. According to the latest market research estimates, Apple holds just a 7 per cent share of the US corporate personal computer market, compared to IBM's 33 per cent share. The rest is taken up by "clones" of IBM's PCs.

## Preserving a way to keep historians in the picture

THIS YEAR is the centenary of the publication of *Animal Locomotion*, a book of photographs in which an Englishman—Eadweard Muybridge—established a claim as one of the progenitors of cinematography. His famous photographic sequence of a galloping horse laid the foundations for true cinematography, refined as a projection process by the French Lumière brothers and shown publicly in 1895.

One of the largest historical film collections in the world, Britain's National Film Archive, retains two original 1895 films by Lumière—along with 87,000 other titles, and more contemporaneous some 15,000 television programmes.

With almost a century of social activity recorded, motion pictures are thus becoming important historical documents. In the UK alone, organisations such as the British Universities Film and Video Council and the Inter University History Film Consortium have helped to focus attention on the value of these astonishing resources of information.

The BUFCV's book *Researcher's Guide to Film and Television Collections*, for example, lists and details film collections as varied and specialised as the East Anglian Film Archive (agricultural and local life) and the Tramway Museum collection in Matlock (earliest film 1896). It also includes private collections like that of Alan Pateman, which takes in rare footage from many countries including pre-war Egypt and China in the 1920s.

The problems associated with the preservation and historical analysis of photographs and films—even videotapes—are nonetheless of much concern for historians. Nitrate film, on which the early movies were shot, is liable to disintegrate in only 50 years; still photographs on paper may have an equally limited life span if the original fixing and washing, after developing, was inadequate; and even videotapes are prone to deterioration—as much due to physical mishandling as organic decay.

The film archives of the world are guardians of a unique heritage in their countries, and over 60 belong to the International Federation of Film Archives. Yet some, such as the National Film Archive in

Britain, have a race against time to transfer decaying nitrate films on to more stable cellulose acetate stocks. The NFA still has 140,000 reels of nitrate stored in special vaults (it is highly inflammable material), with hopes—money permitting—of completing the transfer—of the 1950s could become unusable.

Additional problems include colour fading. Most of the dyes used in colour films are liable to be unstable—as witness some older colour movies now screened on television, in which flesh tones often look yellow, beige or sickly white.

Kodak has been in the forefront of research and education in the preservation of photographic materials, and newer

colour stocks are less susceptible to fading. But some idea of the complexities in storage and preservation can be gleaned by the titles of some of the reference books published by Kodak—*The Book of Film Care* (motion pictures) covers all manner of unexpected problems such as shrinkage (which alters the pitch of the sprocket holes); *Conservation of Photographs* is a handbook for collectors; and *Care and Identification of 19th Century Photographic Prints* offers all manner of guidance, not least in recognising whether a print is a Daguerreotype, Ambrotype or Collotype (the difference is worth a great deal in the auction room).

Less recognised as a problem, however, is the identification of genuine events in film footage alongside re-enacted events. Film-makers have not always been scrupulous in their presentation of "reality." In 1901, J. Williamson filmed the Boxer rising—but in his own garden in England. The French film-maker Georges Méliès filmed the Coronation of Edward VII in 1902, very impressively, but in fact in Paris with actors.

Reconstructions assume greater seriousness when mixed in with genuine actual material, as happened in the famous US magazine series,

*The March of Time*. Although, as in this case, such reconstructions may be done without the intention of deceiving, they pose a problem for future historians who may not be able to sort out fact from fiction. One March of Time episode about the re-election campaign of New York's Mayor, La Guardia, re-enacted scenes with La Guardia and Thomas Dewey playing themselves.

The archivists are sufficiently worried about such practices, increasingly common in television documentaries, to be considering that material supplied by them and known not to be genuine should carry a small coded symbol, visible to viewers.

There are many other facets to film of interest to historians, not least in analysing material to uncover new information about people or events by scrutinising film records—even frame-by-frame. One classic example of this is remarkable footage of Hitler and Goebbels at a rally in Berlin in 1933. The speeches of both exist as an almost straight, sound-film record of the event—virtually free of the usual cuts and interpretative controls of the film editor.

Dr K. F. Reimers at Göttingen Film Institute has studied this exhaustively with colleagues—including a psychologist—to discover new insights about Hitler, Goebbels and the rise of the Nazis. It makes fascinating viewing, showing for example Hitler's mannerisms and the reactions of his supporters without the creative diversions seen in so many war films.

A new area of film as history is emerging which economists and industrialists should find fascinating if not invaluable. The National Film Archive in Britain has started to acquire the earlier film collections of commercial organisations such as Dunlop and Midland Bank. These can reveal not only production policies, but also the unconscious truths which every film enshrines.

If City analysts can reckon to assess a company's future from its balance sheets, why not also bring the corporate psyche of the past into the equation—based on a detailed scrutiny of the films the company sponsored?

## FILM AND VIDEO

by John Chittlock

## Superchip shows South Korea's ability to innovate

BY MAGGIE FORD IN SEOUL

A SOUTH KOREAN semiconductor manufacturer has made a significant advance in microchip technology, suggesting that the country is developing beyond its previous ability to copy US and Japanese products and sell them at a competitive price.

The company, Goldstar Semiconductor, has designed a new version of the 256 SRAM (static random access memory) chip which works at twice the speed of its main competitors,

made by Toshiba and Hitachi of Japan. The chip will have mainly military and industrial uses.

Goldstar's chip delivers a 45-70 nanosecond (billionth of a second) access time, against 85-150 nanoseconds for the Hitachi product and 100-120 nanoseconds for the Toshiba chip. It is also smaller than its rivals. Compared with 56.43 sq mm for a version from Motorola of the US and 56.2 sq mm for the Toshiba SRAM, Goldstar's

256 K measures only 46.55 sq mm.

Executives of the South Korean company believe the market for fast 256K SRAM chips is likely to grow to as much as \$420m by the end of this decade. They are aiming at a market share of 38% over the next two years for their product, which will be commercially available in the second half of this year.

Computer engineers are of the opinion that the faster

access time will give SRAM chips more appeal than DRAM (dynamic random access memory) semiconductors. The static variety stores its data within the chip, without needing to be reprogrammed continuously. Fast SRAMs are particularly suitable for weaponry and telecommunications equipment.

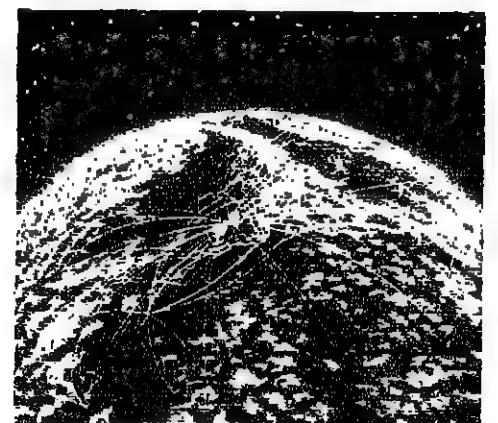
Goldstar expects especially strong growth for its product in the military market. Fast chips are priced in the \$70 to

\$100 range. Mitsubishi and Fujitsu of Japan are believed to be sampling (testing production prototypes) 256K SRAMs with access times in the 55-70 nanosecond range.

Immos of the UK, like other SRAM manufacturers, has a 64K, 40 nanosecond access time part; it is confidently predicting that it will release a 256K, 35 nanosecond access time sample within a few months.

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## A black and white photograph of five men in suits and ties, standing side-by-side against a textured background. The man on the far right is holding a cigarette to his lips.

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## MANAGEMENT : Small Business

## Ethnic businesses in the UK

## Where trading history helps

Charles Batchelor on efforts to boost Asian and Afro-Caribbean entrepreneurialism

GLORIA BLACKBURN had £1,700 in her account when her bank manager of five years turned down her request for a letter of credit for £2,000 needed for her newly-formed wine importing business in Croydon. "My account would have been balanced within a matter of days," says Blackburn. "Being black does not help you in anything you do. I faced a continuous obstacle course in raising finance."

Paul Sood took a sizeable severance payment with him when he was made redundant from his engineering job with GEC, the UK electronics group, but still ran into trouble in raising additional finance for the insurance broking business he decided to set up.

"The banks wanted this security and that couldn't make a quick decision," says Leicester-based Sood. "The banks have not learned that they must change their policy—not to treat Asians and the other minorities more favourably than whites but to treat them just the same."

Finance almost certainly heads the list of challenges facing any small business. For Britain's ethnic minorities the problem is magnified by what they believe, rightly or wrongly, to be discrimination by the banking community.

"There is a stereotype of black people," says Beverley Bernard, co-ordinator of the minorities programme run by Business in the Community, the umbrella organisation for Britain's enterprise agencies. "They are seen as work shy, not entrepreneurial. A few years ago they were turned down because they did not have a business plan. Now they go in with a plan but are told the product is wrong or the area is wrong."

The bank managers' response—according to a survey of ethnic small businesses in the London Borough of Brent—was that Afro-Caribbean businessmen lacked management skills or were too dependent on the ethnic market. But even though the survey showed a favourable attitude towards Asians, many businessmen from this community also have their tales of woe.

There are nevertheless clear signs that—despite their difficulties—Asians appear to be overcoming the problems facing the small businessman.

Many of them built up substantial business experience in East Africa before coming to Britain. Since it lacks this trading background, the Afro-Caribbean community still has a long way to go, though it too is making great efforts to improve its position.

Department of Employment figures published last month showed that while 14 per cent of the white population was self-employed only 8.5 per cent of Afro-Caribbeans were their own boss. By comparison about 22 per cent of Asians worked for themselves.

But these figures must be set against a background of an unemployment rate of 20 per cent among all minorities, double the rate for whites. And even the high level of Asian self-employment was questioned in a 1982 study which concluded that much Asian business—particularly retailing—represented a waste of capital, talent and energy in an unrewarding sector of the economy.

Leicester City's business development unit. Location: The ethnic minorities are no different from the white majority in the problems they face finding suitable small business premises. But the concentration in the inner city, where crime rates are high, means insurance premiums become a major outlay.

The concentration in the inner city also means ethnic businesses have to find their customers among the less well-off. "If you are based in a declining area where incomes are low it is hard to make profits," says Joe Greenland, head of the enterprise agency in Deptford, South London.

Even success brings its problems. Many of the businesses, particularly those set up by Asian immigrants from East Africa, are now reaching a stage at which outside management skills are required if they are to grow further.

Delegation: "The founders of these businesses now face

moving into these markets.

But despite the problems, efforts are being made by the Government, the local authorities, the private sector and the ethnic communities themselves.

Britain's 15,000 strong Somali Muslim community—followers of the Aga Khan—is unusual even by Asian standards for its degree of organisation. The community set up three enterprise agencies—two in Canada, one in London—after being displaced from East Africa in the early 1970s.

"We knew as a minority we would have a problem establishing a track record," says Saadudin Alkharafi, head of the Somali business information centre. "His Highness the Aga Khan said we must make ourselves bankable."

Over the past 10 years the centre has helped 700 families (a fifth of the 3,500 total in the community) set themselves up in business. It advised its members initially to go into the retail and services sector, where relatively little capital was needed, and established a loan guarantee programme with Lloyds Bank.

The Afro-Caribbean community too has been working hard to establish the "network" that has served the Asians so well.

Work has been going on for some time to establish an Afro-Caribbean Bank, now renamed First Partnership Bank, and extended to include all the ethnic minorities.

Progress has slowed in recent months however and while pledges of support have been made the idea has yet to take on concrete form.

Efforts are also being made to launch a venture capital fund for ethnic businesses. The fund, entitled the Paul Bogle Development Fund, would raise £1m from City investors to be used in £20,000-£100,000 bites to help growing businesses and in smaller amounts to help start-ups.

Another Paul Bogle project aimed at establishing an Afro-Caribbean network is "Wealth," a glossy black business magazine launched last August.

The government and the private sector have also been busy. The past 18 months have seen the establishment of three new enterprise agencies—in Deptford, Finsbury Park in North London and in Birmmham. All are in



Clockwise from top left: Saadudin Alkharafi, Sunny Barnett, Paul Sood and Kofi Adjei

deprived areas with large minority populations.

They form part of the network of more than 300 enterprise agencies set up around the country and funded by the private sector. Unusually the Home Office provided a £50,000 annual grant to run each of these three agencies.

The local authorities themselves are also active. Hackney and Brent, both London boroughs with large ethnic minorities, have established small departments which provide advice, funding and premises for small ethnic businesses.

John Hyatt, Business in the Community's London regional director, believes these initiatives are starting to have an effect. "There is a change taking place because this government takes business and self-employment very seriously. More horse-power is going into the enterprise agencies and the banks are beginning to respond to pressure to take more risks."

But he tempers this enthusiasm with criticism of the patchwork nature of the programmes. "What is lacking is a co-ordinated and cohesive policy towards providing start-up capital, premises and quality

advice to black people," he says.

Hyatt and others in the ethnic business sector are also critical of the short-term approach adopted by the authorities.

Leicester's Uday Dholakia has just returned from a study trip to the US where, he says, he was impressed by the professionalism of the American approach to minority business.

"Funding in the UK tends to be short term," he says. "Business agencies are funded for two or three years but a good adviser won't join for such a short period. These are still short-term experiments with no clear aims and objectives."

Deptford Enterprise Agency, director Joe Greenland, tel 01-882 9264.

North London Business Development Agency (Finsbury Park), tel 01-359 7465.

Black Business in Birmingham, director Kofi Adjei, tel 021-235 9484.

Paul Bogle Foundation, director Sunny Barnett, tel 01-367 6476.

Leicester City Business Development Unit, 6533 554444. Somali Business Information Centre, 01-225 0363.

## Low-down on small business life-style

BY CHARLES BATCHELOR

WORKING FOR yourself is often very hard work but the consequences in terms of health and the incidence of divorce are less marked than is often assumed, according to a survey just published.

The three authors of Small Business Owners and the Self-Employed in Britain claim to have made an important breakthrough in the provision of information on the country's small business sector.

They believe their report will help destroy the two most common stereotypes of small businesses in Britain—of the backstreet engineering workshop and the small retail store—and possibly prompt a change in government policies.

A lot of government policies have in fact been based on these stereotypes, says Dr James Curran, head of the survey team. "Many of the small business policies introduced since 1970 have discriminated against service businesses because they have been aimed at manufacturing. Yet less than one in five small businesses involves manufacturing and many service businesses are not shops."

Government support also tends to go to businesses which employ more than one person in spite of the fact that most businesses are one-person operators. A generally held view is that one reason for this could be the complexity of employment legislation, but detailed statistics are lacking.

Based on the General Household Survey, an annual in-depth survey of some 12,000 households or 31,900 individuals, the small business survey looks more closely at more than 600 self-employed non-professional workers and nearly 300 people employing up to 24 workers. This is the first time the household survey data has been used in this way.

It reveals that men who work for themselves work long hours—more than half worked for more than 50 hours a week—though women were more likely to be part-time enterprise owners, working fewer than 20 hours.

People who work for themselves are likely to report that their health is good although self-employed women were more likely to report poor health than either their male counterparts or employees generally. People's assessment of their own health are notoriously subjective however, the researchers noted.

Running your own small business is reputed to put a strain on marriage but the survey offers little support for this. Few of those surveyed were divorced or separated though a large number of women were widowed and had possibly taken over the business from their late husbands. The data reveals nothing, however, about the quality of the marriages of the self-employed.

The report shows that levels of self-employment among ethnic minorities are similar to those of the population as a whole but gives no breakdown between different ethnic groups.

In education terms the owners of small businesses tend to be less well qualified than the employed population as a whole though women are marginally better educated than their male equivalents.

The survey refutes the notion that the affluent working class and the lower levels of the middle class are the main "feeder" classes to maintain the "petite bourgeoisie". Other classes are more strongly represented than previously thought, it says.

\*Authors James Curran, Roger Burrows and Maria Evans. Available from the Small Business Research Trust, 3 Dean Trench Street, London SW1P 3BB, £10 plus p & p.

## Boom in co-ops

BRITAIN'S co-operative movement is booming. The number of worker co-operatives and community businesses rose by two-thirds to 1,476 in the two years up to June 1986, according to the Co-operative Development Agency's latest directory.

Growth in the services sector was slightly ahead of the increase in the manufacturing and wholesale/retail areas. Co-ops are estimated to employ about 14,000 people, most of whom are members of their businesses.

\*The National Directory of New Co-operatives and Community Businesses. Available price £5.50 from the Co-operative Development Agency, Broadmead House, 21 Pancoe Street, London SW1T 4DR.

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Tel: (0223) 291312 - Telex: 958888

## A WASTE OF TIME!

Your net own - to carry on investing in overseas when we can supply completely finished, cost, reduced-fabricated and assembled components or products.  
Write Chairman  
Box F7118, Financial Times  
10 Cannon St, London EC4P 4BY

BUILDING  
PRODUCTS

Established small company Walsford area supplying waterproof protective coatings to the M20 on M11. Premises are shortly to be sold. Write Box F7101, Financial Times  
10 Cannon St, London EC4P 4BY

BUSINESS AND ASSETS  
OF SOLVENT AND  
INSOLVENT COMPANIES  
FOR SALE

Business and Assets (RLC)  
Tel: 437 3036

SMALL COMPANY WITH  
SPARE CAPACITY AND SPACE

Wishes to diversify and utilise existing national network of sales and service to a greater extent of efficiency.  
Write Box F712, Financial Times  
10 Cannon St, London EC4P 4BY

## 100% I.B.A.

**SOUTH EAST**  
£120k - £240k  
Write Box F7001  
Financial Times  
10 Cannon St, London EC4P 4BY

UNLIMITED INTEREST  
POTENTIAL

Defer payment of tax on profits by additional 11 months. Pay 1988 company for sale. Eddy transferred trade. Only companies with substantial profit need apply.  
Write Box F7104, Financial Times  
10 Cannon St, London EC4P 4BY

EXPORT COMMISSIONS on business  
inquiries from INVESTORS - ACME UK  
Trading Co. Tel: 01-422 3577.

BUYING OR SELLING A BUSINESS?  
Positive equity loans. Garfield Bentley Ltd. Telephone 01-745 9025.

## Office Equipment

EXECUTIVE  
ITALIAN OFFICE  
FURNITURE

Collection of high quality executive and operational ranges finished in natural selected veneers: Rosewood, Walnut, Black Ash, Light Oak, including configurations of systems furniture. In bi-laminated finishes and light oak veneer. Substantial discounts, immediate free delivery and installation. Full details tel: 0752 506547

## Businesses For Sale

Dartington Hall  
Tweeds Limited

## 1: Receivership

Manufacturers of this marque with an international reputation for quality. The business and assets of the company are offered for sale by the joint administrative receivers.

- \* Pure woollen tweed upholstery cloth
- \* Business established over 40 years
- \* Highly reputable customer base
- \* Retail shop in the tourist centre of Dartington, Devon selling clothing etc
- \* 2 Leasehold factory premises in Dartington
- \* Turnover £500,000 pa
- \* 12 employees



All enquiries should be addressed to:  
**C. J. Barton, FCA**  
Joint Administrative Receiver  
**CORK GULLY**  
33 Prince Street  
Plymouth  
PL1 2SE  
Telephone: (0782) 622668  
Telex: 45718

## Cork Gully

DESIGN & MARKETING  
CONSULTANTS

The business and assets of a Dundee based Design Consultancy are offered for sale as a going concern by the Receiver.

- \* Turnover approximately £300,000 per annum
- \* Enterprise Zone, modern leased premises
- \* Quality customer base
- \* Substantial order book

For further information contact **J. R. Y. Dickson.**

## Touche Ross

15 Melville Street, Edinburgh, EH3 7PQ  
Tel: 031-225-6834, Telex: 72172 TREDIN G, Fax: 031-225-4049

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BECAUSE YOU ONLY SELL  
YOUR BUSINESS ONCE.

Chesham are the leading merger brokers in Britain and have confidential briefs from several hundred public company chairmen, who are looking to buy successful, private companies worth £500,000 to £25m.

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The first name in merger broking.

Audley House, 9 North Audley Street, London, W1Y 1WE  
Telephone: 01-629 5917.

## PLANT HIRE COMPANY

Based in North Midlands industrial area. Large range of prestigious modern tracked and tyre plant. Sound customer base including national companies and major PLCs.  
Freehold premises on modern industrial estate. Turnover well in excess of £1m per annum, sound management and admin team.  
Accounts available to 31 December 1986. Reason for sale is that the activities of the Company are no longer compatible with the remainder of the group's expansion plans.  
Offers invited in the region of £450k for the share capital of this lucrative and progressive company.

Enquiries considered from principals only to:  
Box H1847, Financial Times  
10 Cannon Street, London EC4P 4BY

OF INTEREST TO COMPANIES AND INSTITUTIONS  
ASSETS OF RETIREMENT HOME COMPANY

Including established top quality retirement home with extensive grounds in an excellent location in East Angles - London 15 miles.  
Existing 20 bedroom plus self-contained staff accommodation. Planning consent for extra 12 single bedrooms. Fully occupied and excellently equipped. Registered under latest legislation.  
ALSO SHELTERED HOUSING SITE  
Full planning consent for up-market 20 unit plus warden's scheme. Plus in separate town, site for second nursing/rest home. Including magnificent Grade II house with potential for 28+ single bedrooms.  
Plans available.  
For sale freehold as a going concern, only due to owner's personal health problems at £1.2m, or may split. Principals only.  
Write Box H1832, Financial Times, 10 Cannon St, London EC4P 4BY

## IRON FOUNDRY FOR SALE

Modern reputation and jobbing foundry with electric melting producing Grey and S.G. Iron. Capacity approx 2,500 tonnes p.a. Large freehold site. For sale as a going concern. Existing management available.  
Principals only write Box H1843  
Financial Times, 10 Cannon Street, London EC4P 4BY

## Financial Planning Team

A small, highly professional team of established, well-qualified personal financial advisers, based in the provinces, seek a link with an institution or financial group to establish an authorised independent intermediary firm in anticipation of the Financial Services Act.  
Interested parties should contact:  
Robin Rowe, Lloyd Chapman Associates  
160 New Bond Street, London W1Y 04H  
Tel: 01-496 7761 - Fax: 01-497 7458 - Telex: 290942

## BATHROOM WHOLESALE &amp; RETAILER

Offers are invited for the going concern business of R. Rudd & Co Limited - in Receivership. The company wholesales and retails sanitary ware from Freehold premises in Maresfield. Distribution is throughout the NW of England.  
TURNOVER £1.1m PER ANNUM  
Further information from the Joint Administrative Receivers:  
Frank Williams Taylor & Christopher John Chambers, Arthur Young  
Silkhouse Court, Tithmarsh St, Liverpool L2 2LE - Tel: 051-236 8214

FOR SALE - HAULAGE & STORAGE LONG DISTANCE HAULER  
WEST MIDLANDS

Offers are invited for the sale of an old established business.  
Turnover: £4 million  
\* Freehold Property \* 10,000 sq ft \* including cool air and refrigerated storage \* Fully equipped garage and offices.  
For further details contact:  
David Johnson, FCA, Stanley C. Johnson & Son  
PO Box 26, 22 Worcester St, Stourbridge, West Midlands DY8 1BH  
Tel: (0384) 295185

## Businesses for Sale

## DERBY

Offers are invited for two old-established companies:-

## Ley's Casting Co. Limited

Boiler section foundry business with modern equipment, supplying boiler sections.

Budgeted turnover 1987 - £1.4m

No. of employees - 61

## Beeston Boilers Limited

Beeston produces two ranges of cast iron sectional boilers for commercial and industrial applications. Model range includes Berkeley, Bewley, Trent, Biskley, Broxley and Robin Hood.

Budgeted turnover 1987 - £3.4m

No. of employees - 46

All enquiries, in writing please, for the attention of Michael Jones at the address below.

**Deloitte  
Haskins & Sells**

Bank House, Charlotte Street, Manchester M1 4BX

Hampshire based  
Engineering Group

trading through two separate companies, one specialising in Mould Toolmaking, the other specialising in Plastic Injection Moulding.  
Each has a strong customer base.  
Group turnover is in the region of £4.2m p.a. split £2m toolmaking, £2.2m plastic injection moulding. Both have potential for substantial increase in turnover.  
The assets of the businesses each include freehold factory premises, plant and machinery, stock and work in progress, goodwill and order books.  
The businesses can be sold individually or as a group.

For further details, please contact:  
The Joint Administrative Receivers, David H. Gilbert and Derrick S. Woolf, Levy Gee and Partners, 100 Chalk Farm Road, London NW1 6EH. Telephone: 01-287 4477  
Telex: 27806

## Levy Gee

Eastern Partitioning Systems Limited  
Norwich

The business and assets of this company which has a turnover of £1.7 million are offered for sale as a going concern by the receivers. The company designs and installs office partitions and suspended ceilings for which it won the PIA Installation of the Year award for 1986.

## Enquiries to:

M. L. Page,  
Peat, Marwick Mitchell & Co.  
Holland Court, The Close, Norwich NR1 4DY  
Telephone: (0603) 620481 Telex: 975539

PEAT  
MARWICKSQUASH & LEISURE CLUB  
FOR SALE

Superb modern, well-located Sports Complex (Built late 70's) Kent. Includes 8 Courts, Snooker Room, Gymnasium & Keep-fit Studio Sauna & Solarium, fully licensed Bar & Restaurant. Managers flat, Good current active membership.

For further details apply Ref: GSM

EDWARD SYMONDS  
& PARTNERS

55/56 Wilton Road, London SW1V 1DH  
01-834 8454 Telex: 9554348  
And in Manchester, Liverpool & Bristol

ESTABLISHED AIR CONDITIONING  
EQUIPMENT MANUFACTURERS

Pre tax profit in excess of £100,000. Good order book. Freehold factory location South East England. On-going local management to remain. Does not fit in with the owner's activities.  
Negotiation with Principals only on around £0.75m to include plant, machinery, office fittings and stock.  
Opportunity to purchase freehold premises.  
Write Box H1837, Financial Times  
10 Cannon Street, London EC4P 4BY

SOFT FURNISHINGS  
BUSINESS FOR SALE

Factory and retail, large curtain making capacity, prosperous Nottingham area in which most major national multiples are represented. Seven years left on lease.  
Reply stating interest to:  
Box H1833, Financial Times  
10 Cannon St, London EC4P 4BY

DOUBLE GLAZING  
BUSINESS

Manufacturers and installers to retail and trade for sales as going concern.  
Price also includes 3,500 sq ft factory plus 750 sq ft offices based in West London.  
£380,000  
Principals only  
Telephone 01-977 5777 (Ref AK)

FREE  
NEWSPAPER GROUP  
FOR SALE

A small expanding free newspaper group for sale or would consider a buyout, well established and showing healthy profits.  
Write Box H1829, Financial Times  
10 Cannon St, London EC4P 4BY

EMPLOYMENT  
AGENCY

SPECIALISING IN COMPUTER, TECHNICAL & COMMERCIAL STAFF. Central location in thriving and rapidly expanding South Coast town near M27.  
Write Box H1827, Financial Times  
10 Cannon St, London EC4P 4BY

INSURANCE BROKERAGE  
FOR SALE

Established 1974, based in north London with gross premium exceeding £1m. 52% general and 48% motor business. Price £295,800 for goodwill plus £45,200 of net assets.  
Write Box H1831, Financial Times  
10 Cannon St, London EC4P 4BY

FOR SALE  
LONDON ART GALLERY

Publishers, retailers & wholesalers of production prints and limited editions.  
\* Retirement sale  
\* Undeveloped potential  
\* Proprietor's income £45,000 p.a. approx  
\* Export market open  
Kynastons, 5 Upper Tachbrook St London SW1V 1SN - 01-630 0967

3 ACRE  
INDUSTRIAL SITE

OUTLINE PERMISSION FOR 80,000 SQUARE FEET. Near Arden Road, E. Huddersfield. Offers sought or partnership with developer.  
Write Box H1838, Financial Times  
10 Cannon St, London EC4P 4BY



## Businesses For Sale

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

### Terry of Redditch Ltd and Jungeling Ltd

The businesses and assets of this long established group with its well known trade names are offered for sale as going concerns. Engaged in the design, manufacture and distribution of equipment accessories and products comprising:

#### Leisure businesses

- Exercise cycles
- Rowing machines
- Multigym range
- Weightlifting equipment
- Keep fit etc.
- Turnover £1m pa

#### Hoseclips and other metal fasteners

- 'Powerclip' hose clip
- 'Suip & Grip' system
- 'Manex' exhaust clamps
- Tool clips
- Hardware products
- Automotive products
- Turnover £2m pa

#### Wire and flat metal spring manufacturing plant

- Turnover £1m pa
- Standard precision springs and washers
- Turnover £0.3m pa

The group is a market leader, current work force 150. It occupies modern freehold premises comprising 79,500 sq ft on a 7 acre site in Redditch, near Birmingham. Extensive fully equipped workshops. Substantial export market and an interest in a hoseclip manufacturing company in China.

For further details contact:

David Exell, or The Joint Administrative Receivers, Christopher Morris and David Bird.

### Touche Ross

Queen Anne House, 69-71 Queen Square, Bristol BS1 4JP  
Telephone: 0272 211622, Telex: 44365 TRBRIS G, Fax: 0272 292801.

### Beacon Woodall Limited Group (In Receivership)

The business and assets of this established group of companies, employing some 140 employees and based in freehold premises in Wolverhampton, West Midlands (unless specified otherwise), is offered for sale (in whole or part) as a going concern. The group comprises:

- |   |  |
|---|--|
| <p><b>Wolverhampton Woodall Limited</b><br/>(based in Wolverhampton and Hinkley, Leicestershire)</p> <p><b>Woodall Mechanical and Electrical Limited</b><br/>(Incorporating Griffin Plumbing and Heating, based in Norton-on-Trent, Nottinghamshire)</p> <p><b>Woodall Contract Plumbing Limited</b></p> <p><b>Water and Warmth Limited</b></p> <p><b>Bridges Construction Limited</b><br/>(based in Erdington, Birmingham)</p> | <p>Plumbing and heating engineers, annual turnover approximately £3 million.</p> <p>Plumbing, heating, electrical and industrial pipework contractors, annual turnover approximately £1.5 million.</p> <p>Contract plumbing and heating engineers, annual turnover approximately £780,000.</p> <p>Installers of domestic central heating, selling directly to the public, annual turnover approximately £200,000.</p> <p>Jobbing builders, annual turnover approximately £100,000.</p> |
|---|--|

#### BinderHamlyn

CHARTERED ACCOUNTANTS

For further information contact:

A. J. Galloway  
Joint Administrative Receiver  
Mander House, Mander Centre  
Wolverhampton  
Telephone: 0902 716688  
Fax: 0902 711475

### Diamond Drilling and Sawing Contractors Hertfordshire

On behalf of our client, we offer for sale the business of Diamond Drilling and Sawing Contractors for the construction industry. The company has been established for 25 years. Current turnover is £400,000 per annum. The company has leasehold premises of 3,500 sq ft and 15 employees.

Further particulars available on request from:  
R G Carter or J R D Smith,  
Spicer and Pegler Associates,  
Priory Court,  
65 Crutched Friars,  
London EC3N 2NP  
Telephone: 01-480 7766

Spicer and Pegler Associates  
Management Services

### Computerised Typesetting and Music Setting Equipment

The joint receivers and managers of certain assets of Hillchart Limited (formerly Artsound Limited) wish to sell equipment used in computerised typesetting and music setting which includes:

- Monotype Lasercomp MK2/70 typesetter
- Qume VDU's
- Agfa-Gevaert Repromaster 2100 and copy proof CP38
- Amicus text setting terminal and ancillaries
- Baydal S12 fixed disk stores

For further information and details apply to JAG Alexander, Joint Receiver and Manager

**KMG Thomson McLintock**  
Chartered Accountants  
70 Finsbury Pavement, London EC2A 1SX Tel: 01-620 9111  
Facsimile 01-688 2485 Telex 886556 tmdm g

## Lifting Gear Hire and Sale

Business and Assets of Carr (Cranes and Slings) Ltd

For Sale as a going concern

- Established since 1955
- Clients include major building contractors
- Turnover approximately £400,000 p.a.
- Freehold premises on trading estate in Wimbledon

For further details please contact:

Neil H. Cooper, Administrative Receiver  
Robson Rhodes, Chartered Accountants  
186 City Road, London EC1V 2NU  
Telephone: 01-251 1644  
Telex: 885734 Fax: 01-250 0801

## ROBSON RHODES

EATON & BOOTH  
(ROLLING MILLS) LIMITED  
(IN RECEIVERSHIP)

Semi-continuous, hot re-rolling steel bar mill with a designed capacity in excess of 10,000 tonnes p.a. on single-shift basis. Situation in Rotherham on 5-acre site (approx.) of which 3 acres (approx.) covered.

For written details please contact A. C. Scheele or J. Warren, Ernst & Whinney, P.O. Box 61, Cloth Hall Court, 14 King Street, Leeds LS1 2JN. Telephone: (0532) 431231. Telex: 597638. Fax: (0532) 434195.

**Ernst & Whinney**  
Accountants, Advisers, Consultants

#### PUBLISHING

Established successful publishing business for sale. Essex based. Superb growth potential. Profits c.£50,000

Write Box H1654, Financial Times  
10 Cannon St, London EC4P 4BY

#### MOTOR CAR

CUSTOM CONVERSION  
Engineering company based in Midlands. Turning over £1m requires £150,000 for recapitalisation and share of equity

Write Box H1657, Financial Times  
10 Cannon St, London EC4P 4BY

### Business Services

#### U.S. ACQUISITIONS

Independent consultant offers accurate market intelligence and thorough acquisition search, focused on medium-sized, private companies. Recent clients include UK, US and European buyers.

Peter Wright  
4 West 77th Street  
New York, New York 10024  
212-677-3204

#### CHINA & FAR EAST

FINANCE-CONSTRUCTION  
We have the experience and expertise to give you advice and information on these areas, and to solve problems. Joint ventures can be arranged. ASTLEY & CO.  
01-273 2818 or 0489 802864

#### CONSERVATIVE RE-ELECTION!

In depth financial survey and advice. Nominal fee. Contact:  
Tax & Financial Services Ltd.  
1 Bedford Square,  
London WC1B 3RA  
Tel: 01-223 0810

#### EXPORT SALES AND MARKETING ASSIGNMENTS

Sought by senior executive with over 15 years experience, in-house, trouble shooting or field assignments, short/medium term. Write Box H1654, Financial Times  
10 Cannon St, London EC4P 4BY

#### LIMITED COMPANIES

FORMED BY EXPERTS FOR £123 INCLUSIVE READY MADE £125 COMPANY SEARCHES EXPRESS CO. REGISTRATIONS LTD  
25-35 City Road, London EC1  
01-628 5434/5, 7383, 9936

#### LOS ANGELES OFFICE

We can provide a stepping stone to companies wishing to establish themselves in or investigate the American market.  
VRS CONSULTING LTD  
01-222 7644

### International Business For Sale

#### DISTRIBUTOR AND RENTER OF SPECIALISED CONSTRUCTION EQUIPMENT EAST CENTRAL AREA

Sales and Pre-tax income: \$9.8 million and \$1.8 million respectively. Earnings have grown 200% compounded in the last 3 years. Company rents and sells equipment to industrial and commercial construction industries in North East.

Write: P.O. Box 43116, Upper Merionide, New Jersey 07043

#### U.S. ACQUISITIONS

Good to Excellent Profit Margins

- |  |      |
|--|------|
| Envelope Manufacturer                        | \$11 |
| Template Service Center/Exporter             | 16   |
| Store Fixture Manufacturer                   | 20   |
| Int'l Freight Forwarders                     | 11   |
| Electronic Burglar & Fire Alarm Manufacturer | 7    |
| Sheet Metal Fabricator                       | 12   |
| Packaging Equipment Mfr                      | 5    |
| Electronics Repair                           | 15   |
| Wire & Cable Distributor                     | 8    |
| Extruded Aluminum Job Shop                   | 16   |
| Builder's Materials Retail/Dist.             | 49   |
| Discotheque Chain                            | 9    |
| Commercial Bank-Florida                      | NW 5 |

Write inquiries from principals are invited. Please enclose annual report, balance sheet or letter stating net worth.

Marion Plurich, President

MANHATTAN VENTURES COMPANY

340 East 57th Street, New York, NY 10022

#### FOR SALE-USA

Manufacturer/Distributor

Lighting Fixtures  
Sales—\$18 million  
Net Profit—\$2.7 million  
Cash Flow—\$2.7 million  
Please respond with product literature and financial report to:  
Box H1656, Financial Times  
10 Cannon St, London EC4P 4BY

#### FOR SALE OR LEASE

NASHVILLE, TN

USA AREA

Footwear

Manufacturing Plant

Fully equipped

50,000+ sq ft building

situated on five acres

Tel: (203) 254-0361

## Businesses Wanted

Large multi-national with considerable existing interests in physical distribution seeks to acquire additional sizeable businesses in this field (UK or Europe).

Principals only please, stating full company details.

Contact in the first instance:

Elizabeth Goodchild,  
BASTABLE-DAILEY,  
18 Dering Street,  
London W1R 9AF.

### Products for the Home

International PLC seeks to purchase established companies in the home improvements D.I.Y. sectors.

Ideal turnover to be in the range £2-£10 million with established customer base and distribution to builders merchants, departmental and chain stores, D.I.Y. outlets, mail order, etc.

Replies in confidence to:

Nigel Challis  
Peat Marwick Acquisition Services (licensed dealer in securities)  
1 Fiddle Dock  
Blackfriars  
London EC4V 3PD  
Telephone: (01) 236 8000 Telex: 8811341

### PEAT MARWICK

### FROZEN FOOD PROCESSOR SOUGHT

Our client is a large privately-owned American food company which is seeking to acquire a profitable UK company making high value-added frozen food products. The ideal company would have a turnover between £2m and £20m, be profitable and family owned.

Interested parties please contact:  
Ian Nelson, Ernst & Whinney,  
Becket House, 1 Lambeth Palace Road,  
London SE1 7LU.  
Telephone: 01-928 2000.  
Telex: 995234 ERNSLO G.  
Fax: 01-928 1545.

**Ernst & Whinney**  
Accountants, Advisers, Consultants

### INJECTION MOULDING

Manufacturers with a large injection moulding operation are seeking to expand this area either through additional contract work or acquisitions. We are interested in hearing from principals requiring contractors for any type of high volume quality moulding or those with turnover in excess of £500,000 who wish to dispose of their interests.

Write Box H1629, Financial Times  
10 Cannon Street, London EC4P 4BY

### WANTED

Leasing Receivables  
(Small leasing companies or portfolios)

Please send details to:  
Consentium Investment Department  
EQUITY & GENERAL FINANCE LIMITED  
66 Grosvenor Street, London W1X 9DS

### UNIT TRUST COMPANY

Long established financial PLC wishes to widen its operation by acquisition of a unit trust management company. Reply to:  
Box H1660, Financial Times  
10 Cannon Street, London EC4P 4BY

### WANTED

TAA TICKET

AGENCY BUSINESS

Write Box H1630, Financial Times  
10 Cannon St, London EC4P 4BY

### MOTOR DEALERSHIPS

We wish to acquire Franchised Motor Dealerships and Contract Hire Companies.  
Please reply to Box H1649  
Financial Times, 10 Cannon St  
London EC4P 4BY

### MAIL ORDER COMPANY

Fast-expanding, seeks to acquire companies in same field.  
T/Y £50,000 to £1 million.  
Write Box H1640, Financial Times  
10 Cannon St, London EC4P 4BY

### WHOLESALE OR CASH & CARRY

Private investor seeks active participation or outright purchase of business London or north of London. Any trade, wholesale, retail, cash and carry, garden centre etc., preferred. Not manufacturing or engineering. Reply Box H1635, Financial Times  
10 Cannon St, London EC4P 4BY

### WANTED

INJECTION MOULDING/ENGINEERING COMPANY

A company based in the North West is interested in acquiring a light engineering/injection moulding company in the Greater Manchester area. Substantial funds available. Please write in confidence to:  
Box H1659, Financial Times  
10 Cannon St, London EC4P 4BY

PROPERTY INVESTMENT and building companies wanted. Apply in confidence to:  
Wellington Property Company Limited  
Wellington House, 2 Rivington Road,  
Hastings, East Sussex, TN34 2EE. Tel: 0424 434881.

### DIGITAL INSTRUMENTS LIMITED

The business and assets of the company are offered for sale. Digital Instruments is a small company in the Factory Automation market which manufactures networkable intelligent I/O modules.

- This company have been acknowledged by the technical press as product leaders in their field
- Users cover a wide spectrum of industry e.g. Food, Pharmaceutical, Water, Automotive, Manufacturing Machinery
- Extensive database of several thousand enquiries
- Small range of stocks, office and exhibition equipment

Coopers & Lybrand

For further details please contact:  
Coopers & Lybrand  
Phoenix House  
Saville Hill  
Reading RG1 1UN  
Tel: 0734 597111  
Fax: 0734 508166  
Telex: 844588

### SPECIALIST RETAIL CHAIN

Opportunity to purchase and expand profitable business with 15 shops  
For full information, contact:

**Hammond Phillips**

8 Hinde Street, London W1M 5RG  
Tel: 01-487 5671 Ref: ARW/BWH

### PPL (Holdings) PLC

(IN RECEIVERSHIP)  
The business assets of the company, suppliers of computer software to major commercial organisations, are for sale.

For further information please contact the Joint Receivers:  
PPL Software, PPL Software, 10, Cannon Street,  
London EC4P 4BY.

Telephone: 01-487 0803 Telex: 027000 Manager 01-487 0803

Price Waterhouse

## TAXATION

The Financial Times  
is proposing to publish a Survey entitled  
**TAXATION**  
on April 24, 1987

If you require further information  
on this Survey, please contact:

Claire Broughton

on 01-248 8000 extension 3234

or your usual Financial Times representative

### ARCHITECTURAL ISLAMIC DESIGN COMPANY

ENQUIRIES ARE INVITED FOR THE ASSETS OF THE BUSINESS

Turnover for 1986 of £3m from established overseas, customised Computer controlled graphic design facilities. Excellent equipped leasehold offices of 3,000 sq ft and separate warehouse of 10,000 sq ft in West London.

Please write to:  
Box H1659, Financial Times  
10 Cannon St, London EC4P 4BY

### BAKERY

Turnover £500,000

Projection £650,000

Offers over £650,000

Write Box H1631, Financial Times  
10 Cannon St, London EC4P 4BY

### COMPUTER BUREAU

Small mainly ICL based Bureau for sale, based in central London, the business is available with or without existing management, or company would consider sale of turnover running at approximately £250,000 p.a. Principals only should apply.

Write Box H1632, Financial Times  
10 Cannon St, London EC4P 4BY.

### FOR SALE

Pre 1965 Company

Small trading company in the textile industry having an extended date for the payment of Corporation Tax (20 months after the year end). Write Box H1641, Financial Times  
10 Cannon St, London EC4P 4BY

### RETAIL FURNISHING BUSINESS EAST SURREY

For sale due to owner's retirement. Trading business established 40 years. Turnover £480,000—spacious premises to be let, or re-sold for sale. Approx. 7,700 sq. ft. Please contact:  
R. LANE, F.C.A.  
Rutland House, 40 Victoria Hill,  
Bromley, Kent, BR3 9EQ

### SNACK FOODS

Midland based manufacturer

FOR SALE

Operating from freehold premises

Annual turnover approximately £400,000

Write Box H1653, Financial Times  
10 Cannon St, London EC4P 4BY

### PRECISION ENGINEERING COMPANY FOR SALE

Midlands based company with interest in tooling, special machinery and sheet metal equipment. Profitable. Turnover £800K+. Principals only. Apply Box H1628, Financial Times  
10 Cannon St, London EC4P 4BY

### QUICK SALE NEEDED—Manufacturer of metal garden furniture has export orders, but insufficient capital.

71904.

FOR SALE—Wooden Toy/Craft Manufacturer. Turnover £100,000. 3000ft. Please contact Box H1650, Financial Times  
10 Cannon St, London EC4P 4BY.



## The State of the Art/William Packer

## Abstraction is no creative cul-de-sac

The State of the Art is, like Cerberus, a three-headed monster that guards the entrance to the infernal regions of modern art, and all who approach it should do so with some care. It takes the form of various exhibitions, and the four galleries of the Institute of Contemporary Arts in the Mall (until March 1: then on to Newcastle, Preston, Bradford and Norwich); a book by its master, Sandy Nairne (Chabot & Windus: 256 pp; 200 illustrations; paperback, £12.95); and a six-part documentary series for television (Sunday nights at 8.15 on Channel 4, two still to come).

My colleague, Christopher Dunkley, dealt with the television head at some considerable length on this page two Wednesdays ago, and I must say, gave it rather a hard time. Critical colleagues, of course, are in no way obliged to agree, and it should come as no surprise to Christopher to learn that much of what he said positively urged me to rally to the cause of the poor old dog.

We may well have been shown a great deal that is difficult, obscure or unconventional and heard of a lost time and again with downright fatuity and pretension, but that hardly makes the case for Abstraction as a creative cul-de-sac. Far from being a mere dead-end, Abstraction is what it always was, a positive and at times exciting way forward, admittedly one of many for artists to follow. Its historical antecedents suggest that it is not soon to become forgotten and overgrown. As for any supposed revival of figurative art at the expense of Abstraction, to read it as the triumph of common-sense over perverse foolishness is to mistake a shift in creative interest for an immutable judgment. Figurative was never moribund, nor

is Abstraction now. That Carl

André with his bricks should

still touch a nerve some 20

years after the acquisition of

that work, and more than 10

years on from the great farore,

is amusing in itself and more

to the artist's credit than

otherwise.

Of the four programmes

already broadcast, I have seen

only two-and-a-half. Christopher

has seen all six, and on his

particular and final judgment

of *The State of the Art* as

pretty dire stuff, I could not

agree with him more. Such

unconscious tedium is in-

deed inexcusable, but it is

the directness of the content, the

art, that makes it so. For it is

the curious and demonstrable

fact that the book, which is

truly the book of the series, is

not bad at all. Necessarily shorter

on its visual matter, though no

less effective, it supplies the

full transcript of each pro-

gramme in due order, replete

with references, footnotes and

caption. The material itself is

quite as contentious and ques-

tion-begging as the programmes

would lead us to expect, but on

the page, with the qualities of

personal delivery mercifully

absent, it is assimilable and

even engaging.

There is no mystery in this.

The book is but one study

among many in its field, which

it defines and narrows to its

argument. As such it is a use-

ful and reasonable addition to

the library of late modernism,

and we are free to take it or

leave it on its own terms, that

is political, propagandist,

feminist and conceptual by

turns. The difficulty lies with

television itself, which partly

by its neglect of all contem-

porary art as part of the cur-

rency of normal civilised life,

partly by its very nature, can

not presuppose any such con-

text of general study and

text of general study and



Deutschland Deutschland (detail) by Carlo Maria Mariani

understanding. Always more is promised than can at once be delivered, and every ambitious series concerned with modern art must start at the beginning to persuade the ignorant while hoping desperately to keep the interest of the committed. The State of the Art as it must present itself on television proposes a finality and comprehensiveness it can never achieve, and in the event begs every question in the book.

The sad thing is that in addressing itself to certain issues that preoccupy many artists working now around the world, the series might well have achieved more with less. We do not have to accept with these programmes that feminism, for example, or

socialism, or the radical re-writing of cultural history, is necessarily the one way forward, but the very exposure of silliness can be useful. A quiet, proper, unpretentious debate around any of these subjects would be entirely valid, but television makes such a thing impossible. Even a serious proposition by a major artist gets lost in the presentation. "Every human being is an artist," declares the late Joseph Beuys, which is easy enough to ridicule but by no means unsustainable. The effect of all true art, after all, is to raise its perception to the pitch at which the experience itself becomes palpable. And if a work of art, why not then a tree, or a stone? Every man

might be indeed an artist as he might be a saint, though few are. A natural scepticism in the face of Jonathan Borofsky's exploitative scribbles, or Victor Burgin's po-faced ideological critique, or Susan Hillier's literal self-effacement, or Mary Kelly's mauling texts, does not invalidate the general case.

All these so-called artists or, as Miss Hillier would have it, cultural workers, are represented with others in the exhibition at the ICA. Its scope is limited, and each of the six chapters-cum-programmes gets only a token representation and a basic rubric. But there are enough of equal and opposite force to make the book a useful and the suspect, from the contrasted historicism of Kiefer

and Mariani in the introductory section on post-modernism, to Leon Golub's impressively disturbing images of torture and interrogation in the political room upstairs, Cindy Sherman's enigmatic narcissism is expressed, as always, through her remarkable photographs.

But the show is a true curate's egg and its section on Identity, Culture and Power, which is to be the burden of the final programme, is its most doubtful portion. A large painting of two black women running after their dogs, based upon Picasso's striking image, is glossed as "a student comment against the frequent appropriations of the early modernists." Really? Is it wrong for an artist to look to other cultures, or even other artists, for reference and inspiration? Was Picasso's work never a celebration of native art?

Donald Rodney is a young black British artist who makes large, polemical cut-outs of a standing crudely and ineptly and an equally startling violence of raw, racist sentiment. "I suddenly became aware of what I wanted to say and who I wanted to say it to. I no longer had to use the language given to me by western art traditions." Well, more polemical assertion is no more art than Borofsky's scribbles, without the mediation of form or substance. Rodney uses the language of no tradition at all. It worries me rather less that what he has done here might well be against the law, than that even his sympathisers, steeped in the culture of Shakespeare and Webster, Turner and Bacon, should give it any consideration as art, let alone good art. Psychotherapy perhaps, but art? Would they ever give a young white artist of equal and opposite violence of opinion, the time of day? Of course not, nor should they.

In the grand Shakespeare Fair parade of Petrushka the LSO turtles were an indiscriminate welter of sound, where the CSO under Simon Rattle had been precise and taut. The Rozhdvestvensky reading lost little to the fact that its general tone was warm, jolly and earthy. There was never any threatening sharp edge, and except for a tingling piano) the tempi of the main sections were comfortably relaxed. Compensation came in the conductor's close sympathy with dramatic detail: it is unusual to have the puppets' fortunes so expressively traced, and the human side of the score was much enriched. A fine principal flute helped, as also—quite beautifully—in the "Pan and Syrinx" episode of Daphnis.

The 20-year-old Prokofiev's tooth-rattling, Concerto for the pianist Viktoriya Ponomareva (Madame Rozhdvestvensky), and as always she was astonishing. One thinks of her as a lyrically revealing pianist par excellence. Here she was savage and steely (steely-fingered too), hard and propulsive. Intuition and guts: young Prokofiev must have performed the piece with just such uncompromising fury. She and Rozhdvestvensky intensified the effect of calculated brutality in the side of the score was much enriched. A fine principal flute helped, as also—quite beautifully—in the "Pan and Syrinx" episode of Daphnis.

Of course not all the Hollies are on parade, and some Nash preferred to become a multi-millionaire in the US but three of the originals are on stage—drummer Bobby Elliott, guitarist Tony Hicks, and Allan Clarke, who has come and gone from the band over the years with the regularity of a shuttle service. Backed by three new recruits they are enough to roll back the years and to happily add modern licks to per up the stilted, old originals. Unlike jazz, pop does not embalm its past. Here are some of the nearest tunes of 20 years ago dressed up in the latest styles by musicians who need no more to immerse care about anything but having a good time.

Wise the Hollies do not attempt to re-create their hits, which were originally culled from little-known American R & B artists and later spawned by their own confidence. Some of the songs are rather casually thrown off in medleys which is a pity because "Jennifer Eccles" and "Carrie Anne" must mean a lot to individuals in the audience. Instead the act is like a school reunion, glimpses of the past blended with more recent adventures. At the end they let off their big one, "He ain't heavy," followed by a nod to their rock and roll credentials with an extended "Long cool woman." It is all rather cosy, very relaxed, and undemandingly enjoyable. Like most pop stars Clarke and the rest look as if they spend half their lives beside LA pools and half working out in private gyms. They chat easily with each other, and the audience, with jokes about the Beatles, about the enormity of middle-aged men playing at rock stars, about Hicks making Cliff Richards look old.

What holds it together is the strength of their material—it is worth turning out to hear "It ain't heavy" and their talent. Clarke still has one of the best voices in pop and Hicks happily adds modern licks to per up the stilted, old originals. Unlike jazz, pop does not embalm its past. Here are some of the nearest tunes of 20 years ago dressed up in the latest styles by musicians who need no more to immerse care about anything but having a good time.

## Gabrieli Consort/Wigmore Hall

Andrew Clements

"Monteverdi's Venice and Carissimi's Rome" is the title of three concerts being given by the Gabrieli Consort and Players at monthly intervals in the Wigmore Hall. Monteverdi's madrigals—taken from the eighth book, the *Madrigali guerrieri et ascetici*—are combined with Carissimi's three oratorios, and the programmes are bulked out with instrumental pieces by the two composers' contemporaries.

It is a pleasing arrangement, carefully plotted and smoothly executed. The first programme on Friday brought Carissimi's *Jephtha* into conjunction with six of Monteverdi's most celebrated madrigals, the sequence interweaving duets ("O sia tranquillo il mare" and "Ardo, e scoprir") with the scena-like *Lamento della ninfa* and the two five-parters, *Dolcissimo uiscignolo* and "Chi non ha ver felice," as well as brief solo turns for the accompanying instrumentalists, playing chitarone, double harp, chamber organ and bass viol.

The Gabrieli Consort is a young, perfectly schooled group, under the direction of Paul McCreech. Its publicity places it

as one of the "second-generation" early music ensembles, with links back to the more established pioneers in the field. All their performances have evidently been prepared just as scrupulously as their programmes; not a syllable is misplaced. It seems, at times, a shade too manicured: there is surely more passion to be realised in many of these madrigals, an expressive imperative to lay stress and emphasis on the lines less strictly. It would have been hard to guess from the Gabrieli account that "Gira il nemico" is a comic turn when its contours are not so ironed out, or that "O sia tranquillo" should be resoundingly tragic.

For the Carissimi the five madrigal singers were joined by the soprano Janet Corwell, and it was her contribution, the daughter of Jephtha, which found at last the balance between dramatic involvement and musical literalness. The performance of the three-dimensional in a way touched on sporadically earlier, suggesting that when the group relaxes more fully into its repertoire it will gather far greater expressive rewards.

## Steven Isserlis/Wigmore Hall

Dominic Gill

Steven Isserlis is a young British cellist in the head-tossing heart-on-sleeve Tortelier tradition. His playing is winningly itself, smooth and beautifully modulated, contained not a trace of schmalz. Isserlis ended with Martin's sonata and Janacek's *Pohodba*—and his manner suited the urgent intimacy of the Janacek especially well. Few cellists make the difficult piece of the opening movement "speak" so deftly, or shape the adagio whistles with such clarity. Schubert's *Arpeggione* sonata is surely less great Schubert than his earlier, less well-known, *Arpeggione* sonata. It is a rare pleasure to hear most (if not absolutely all) of those high A-string flourishes so perfectly tuned. His excellent pianist and partner was Peter Evans.

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## FINANCIAL TIMES

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# Leadership at the BBC

MANY OF the troubles at the BBC arise from the fact that both the corporation and its critics have seen it in a quite unusual role. On the one hand it has been expected to be the "voice of Britain"; on the other it has been expected to provide radical, innovative and fearless programmes. The mutual incompatibility of the two requirements are a built-in source of strain.

Fortunately, we are entering a new phase, where there is no more call for a "national" broadcaster than for a "national" newspaper. It was always extremely undesirable that one newspaper should ever have been regarded as the official voice of Britain. The arrival of many competing voices, which left the reader to find the approach he found most congenial, did nothing but good to journalism. Similarly, now that consumer choice has been augmented by more radio frequencies, decoder boxes, cable and satellite, the broadcasting market is acquiring more of the competitive characteristics of publishing and journalism. And a good thing too for those who value freedom of speech, and cultural and artistic diversity.

## Long transition

Indexation of the licence fee provides the BBC with an opportunity to think ahead it never had before. Plans for subscription, now being examined by consultants for the Home Office, would provide the BBC with a way of reaching out to customers directly and of loosening still further its dependence on government. Greater access for small independent producers also provides new opportunities on both the creative and commercial sides, which the right sort of director general would relish. Nor is it too early to think of establishing the Public Service Broadcasting Council (PSBC) recommended by Peacock.

Of course there will be a long transition between the present duopoly and the electronic publishing market envisaged by Peacock; supplemented by the PSBC. In the meantime, a director general will have to tread with sensitivity, making

sure that the BBC does not just go for ratings, but provides the more demanding programmes, which might otherwise not be made. And until there is as much choice in broadcasting as among newspapers, books and magazines, political balance cannot be neglected. Even here, the BBC has a special role. The mutual incompatibility of the two requirements are a built-in source of strain.

To lead the corporation into this competitive, but exciting, world a broadcasting entrepreneur is required who relishes the challenge. The last sort of person we need is a senior statesman passionately committed to the cosy, but vanishing duopoly of the BBC and ITV, for which the establishment is easily lobbying.

## Split post

As many of Mr Alasdair Milne's problems arose from the excessive range of detailed responsibilities falling upon one man, it is tempting to say that the post of director general should be split between a business administrator and a programme planner, just as most newspapers have managing directors distinct from editors.

Wits will reply that the post is already split between Mr Marmaduke Hussey and Lord Sainsbury, but that, in the business and editorial planning at the BBC in a period of change is likely to be more intertwined than in newspapers; and a single DG with more responsibility and delegation than Mr Milne enjoyed is required. A more important problem is to end the tensions and distrust between the BBC governors and the BBC professional staff. The two-tier structure, in which the governors are held responsible for the corporation and expected to act in a judicial capacity, does not work. As a step towards something more professional, the new DG should be appointed to the first vacancy that appears among the governors.

# Authoritarian bungling

IF THE French police had raided the offices of a broadcasting company in Paris over the weekend, a widespread British reaction would have been: how typically French—it would not happen here. Yet it does. It happened in Glasgow where the Special Branch raided the offices of the BBC and took away dozens of boxes of broadcasting material.

The first comment on that is that there is a great deal of hubbub in the belief that Britain is considerably freer than elsewhere. Freedom is continually under threat of erosion by the authorities, whether central or local, and it is naive of the British to pretend that they have got the balance right between individual liberty and responsible government. What happened in Glasgow will have been watched with a mixture of sorrow and amazement in other democracies. It will have been watched with some delight in such countries as South Africa and the Soviet Union.

The second comment is that it is all of a pattern. The Glas raids may have been the most spectacular instance so far, but there appears to be a general rule. It is that whenever the British authorities get into a tizzy over security matters, they tend to make themselves look ridiculous. There is, it seems, a streak of authoritarianism in British government which is only slightly redeemed by the bungling incompetence with which it is executed.

**Blunderbuss approach**  
 Take the present case. It is probable that the Zircon spy satellite was a marginal affair. Otherwise the programme would never have been allowed to be commissioned in the first place; it would have been kept completely secret, like the previous government's modernisation of the Polaris weapons system. The Russians must have known about it already and besides spy satellites have been recognised in arms control agreements as a national means of verification.

Yet when the authorities decided that something was amiss, they went in with a blunderbuss. The BBC was disavowed from showing the programme, but it was apparently forgotten that Mr Duncan Campbell, its presenter, also worked for the New Statesman, which promptly printed the

## No contact

There are some similarities with the case of Mr Peter Wright, the former MI5 agent whose book the British Government is trying to ban through the Australian courts. No such action was taken against Mr Chapman Pincher, the journalist who published much of the same material in collaboration with Mr Wright four years ago. Indeed it seems that the Government specifically allowed the Pincher version to go ahead, though there is some confusion about how far Sir Michael Evers, the Attorney General, was consulted. Sir Robert Armstrong, the Cabinet Secretary, had embarrassingly to admit in the court proceedings.

Both cases strongly suggest that the various arms of the British Government do not know what the others are doing. One would expect at the very least that there would be frequent contact between Sir Michael Evers and Sir Robert Armstrong, among his other duties, has some responsibility for the security services. That appears not to be so. The result is that whenever matters go wrong, the very idea of a security service tends to become a laughing stock and the Government over-reacts in an attempt to mend its fences. It need not be like that. It is perfectly possible to construct a case for an intelligence service, perhaps especially nowadays given the prevalence of terrorism. Even the strongest advocates of a freedom of information act admit that there will always have to be some official secrets. Apart from incompetence, much of the trouble seems to lie in an inability to classify what is really secret and what is not. With at the end of the day the balance tilting too far in favour of overrestriction and overreaction. If there are more absurdities like the Zircon case, the demand for a public inquiry into the handling of security will become irresistible. The Speaker of the House of Commons was quite right to grant an emergency debate for today.

## SWISS BANKING

# A hole in the secret heart

By David Lascelles

**SWISS BANKS:** strong stable—or havens for tax-cheats, insider dealers and corrupt dictators?

The discreet institutions which line the streets of Zurich, Geneva and Basle have long enjoyed a rather ambiguous reputation in the public mind, at least outside Switzerland. On the one hand, they are among the few banking institutions left in the world which qualify for the top class AAA credit rating. But the darker side of Swiss banking has been exposed in the past 12 months by a string of financial and political scandals, which have reinforced the view that if someone has a Swiss bank account, it can only be for a shady reason.

The overthrow of President Marcos in the Philippines and of President Duvalier of Haiti, Irangate, the Dennis Levine insider trading case and the Guinness affair have opened up trails which led, in the end, to Swiss banks. The evidence has been doubly damaging to Swiss banking insofar as it has both tarnished its image and encouraged the belief that the country's famed banking secrecy, though enshrined in law, is not what it used to be.

This picture of Swiss banking—riddled, as the saying goes, as a piece of Swiss cheese—is one that bankers naturally reject. "The secrecy law plays its part. But that is not the only reason why people do business with us," says Dr Franz Lotolf, general manager of the Swiss Bank Corporation, the country's second largest bank and the one with the most international business. "There is also the economic and political strength of Switzerland, the strength of Swiss banks and the quality of the service."

Nevertheless, the constant battering of bad publicity is gradually reshaping attitudes among those once elusive gamblers. The very fact that Swiss bankers are now ready to speak out on matters of secrecy is an indication of a more defensive stance. Just as important, it is also prompting moves by the banks and the Bernese Government to repair the damage by, for example, combating insider trading and

money laundering, and tightening the bank's obligation to check on their customers.

The most serious question for the Swiss is whether banking secrecy, the cornerstone of the business, remains as strong as it was. The secure reputation of a Swiss bank account suffered its biggest blow last year when the Bernese Government blocked the deposit of ex-President Marcos to stop him transferring them out of the country. Normally, the Government can only act in response to a formal request for judicial assistance from a foreign country, and then only in cases of "double criminality"—where the account holder appears to have committed an offence which is criminal in both the requesting country and Switzerland.

But in the Marcos case, the Government was under strong foreign pressure to prevent the Marcoses spiriting away their millions, so it bypassed the normal processes and drew on special powers. In placing a ban on the account, however, Bern also drew the anger of Swiss bankers, who denounced the move as unnecessary and inappropriate.

When, a few months later, President Duvalier was overthrown, the Haitian Government managed to make a similar request to block his accounts, so the usual procedures were complied with.

In the Levine insider trading case, Bank Leu's Bahamas subsidiary supplied information to the Securities and Exchange Commission about the accounts of Mr Levine in order to protect its US business. Procedurally, this involved a lifting of banking secrecy. However, the Swiss have generally proved ready to co-operate with the US authorities because of the importance to them of the American market.

The Marcos case thus remains an extreme and isolated one, but it is also a precedent for the future. It shows that Swiss bankers would prefer not to have to live with it. Although Swiss voters rejected in a referendum two years ago a move to relax banking secrecy,

there is a sense among bankers that foreign opinion will ensure that it remains a live issue. "The referendum never laid the ghost of secrecy," says a Zurich banker.

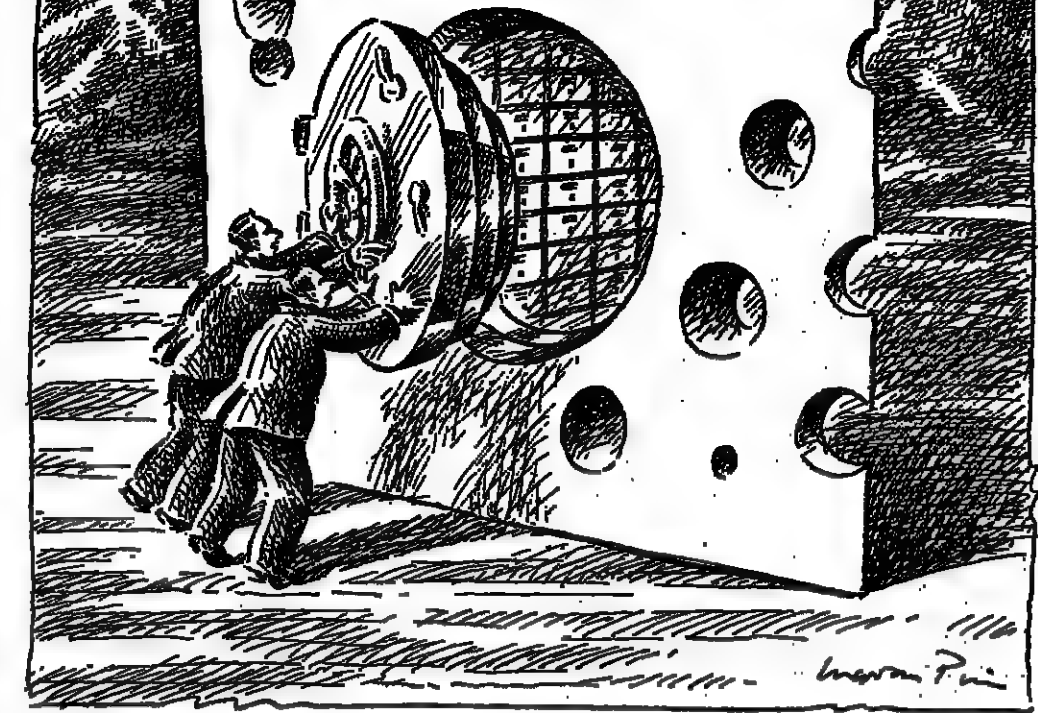
The Swiss emphasise that the foundation of banking secrecy—article 47 of the banking law—remains intact and that there is no intention to change it. "Swiss banking is still available. What is happening, though, is that many of the measures which Switzerland is having to adopt to protect the good name of its banking will limit the banks' scope," Mr Andreas Hubschmid, a lawyer at the Swiss Bankers Association, says in an ironic tone: "What is the problem with Swiss banking secrecy? Is it that it exists, or that it is now full of holes?"

Later this year, for example, the Swiss Parliament is expected to enact a law that will make insider trading a criminal act, thereby adding it to the crimes for which foreign countries can seek judicial assistance in prying open Swiss bank accounts. The law has been broadly drafted and should be quite tough. A similar measure to outlaw money laundering is also being prepared by the Ministry of Justice and Police.

This will still leave tax evasion as a big exception—it is not a crime in Switzerland. But even that may be on the way. "Swiss public opinion is moving in that direction. I think we shall have a tax evasion law within ten years," predicts Mr Hans Baer, managing chairman of Bank Julius Baer, the Zurich private bank.

The controversy over Swiss banking happens to coincide with a review of the banks' voluntary good conduct code, and this is adding fuel to the debate about the limits of secrecy. The five-year-old code requires banks to exercise "due diligence" in establishing who the true beneficiaries of their accounts are. But it has one big loophole: clients can conceal their identity by opening accounts through a lawyer.

The Federal Banking Commission, the independent supervisory authority, has caused a



stir by calling for an end to this practice on the grounds that banks must know with whom they are dealing.

Bankers and lawyers are still considering their response, but their initial reaction has been hostile. Lawyers say the abolition of Form B accounts, as they are called, would interfere with their relationships with their clients. Bankers fear they would lose business. Both groups, though, are in a bit of a dilemma: while the abolition of Form B may well frighten off clients, depositors who seek the double protection of bank and lawyer secrecy are also likely to be the most questionable.

But the commission is taking a firm line and says that if the banks cannot agree to change the code, it will issue a regulation to get rid of Form B. Whether it would actually escalate a confrontation with the banks in this way remains to be seen. But the commission's rough talk is seen by bankers

as a sign of political pressure on it to take action, both to restore the good name of Swiss banking and to satisfy Swiss public opinion, which has never felt particularly warmly about banks despite the contribution they make to the country's revenues.

Another instance of the commission's readiness to act is its announcement of an investigation into Bank Leu—involved in the Guinness affair—even though there is no apparent breach of Swiss law. According to Mr Bruno Boschi, of the London office of Forriep Renggli, the Swiss law firm specialising in banks, the commission is making increasing use of article 3 of the banking law, which requires banks to conduct themselves in a proper fashion. This catch-all clause, he says, allows the authorities to look into unusual transactions if they feel Switzerland's image as an international financial centre is being harmed.

Quite how much damage the

bad publicity has caused to Swiss banking is hard to gauge because, despite everything, it remains a highly secretive. Bankers deny that they have lost deposits, but some of them are getting less new business than before. "We are losing market share," says one of them—probably to Luxembourg and the Channel Islands, though he says these are the smaller, less profitable accounts.

But though Swiss bankers appear to be on the defensive, foreign observers of the scene also stress the Swiss capacity for pragmatism. If there is a greater willingness among Swiss bankers to co-operate and compromise in clear-cut cases of wrongdoing, it is because they recognise that it is in their business interests to be so.

Secrecy, after all, remains inviolate for clients who have nothing to fear from the law. While honest depositors may not be the wealthiest, they are probably the more reliable.

## HOW BANK LEU SAILED STRAIGHT INTO A SEA OF TROUBLES

"PEOPLE WHO make investments need advice" proclaim the advertisements outside Bank Leu's headquarters in Zurich—once the bank's involvement in the Guinness affair.

Bank Leu (pronounced Loy) is under investigation by the Federal Banking Commission for buying 41m Guinness shares last year under an agreement whereby Guinness was to indemnify it against any loss.

Apart from causing a further embarrassment to the Swiss banking industry, the affair is another blow to Leu, which is Switzerland's sixth largest bank. Last year,

it was implicated in the insider trading case of Dennis Levine, the US investment banker, and in 1983 its deputy manager was seen in London by the Italian authorities for aiding illegal transfers.

The official investigation into Leu is being made on the basis of article 3 of the Swiss Banking Act, which requires that bank managements "enjoy a good reputation and thereby assure the proper conduct of business operations." Another article (23) says that "where the Banking Commission receives knowledge of violations of the law or other irregularities, it will issue the

necessary decisions to restore the rightful conditions and remove the abuses."

Leu has denied that it has done anything wrong, and it claims the transactions with Guinness were normal. However, according to official sources, Leu could face disciplinary action on two possible counts: first, on the moral grounds that it had engaged in actions which it should have repudiated; second, that even if it has broken no Swiss law, it has broken the bank operating internationally, have been aware of the possibility that it was breaking UK law.

The issue, officials say, is not one of secrecy since Guinness's new management has given its consent to Leu's co-operation with the authorities. The specific issue has to do with possible imprudence and, more generally, with the damage the affair has done to the image of Swiss banking, and the need for the authorities to be seen to be taking action to repair it. The most widely expected outcome is that Leu officials, including Mr Arthur Fueter—the chairman, who introduced Guinness's business to the bank—will be asked to resign and the bank will be publicly reprimanded.

## Every day a new joke

The great exodus from the White House continues. The resignation of Mitch Daniels—one of President Reagan's top political advisers—is just the latest in a stream of departures which has demoralised staff.

In recent weeks Larry Speakes, the President's chief spokesman, has announced his resignation to join Merrill Lynch on Wall Street. Alfred Kingston, cabinet secretary, is to become US ambassador to the European Community. And the National Security Council has been purged by its new minister Frank Carlucci.

Other resignations reported imminent are Patrick Buchanan, director of communications and top speech writer, and James Miller, Reagan's budget director.

The loss of Daniels—who joined as recently as September 1985—is regarded as particularly serious. It reinforces the impression that Donald Regan, the abrasive chief of

## Men and Matters

staff at the White House, is consolidating power by continuing to oust critics and rivals. It was Daniels who, six weeks ago, advised Reagan that he should leave the White House because his presence was damaging the President.

In the end, however, it is Daniels who has jumped ship. Few gave Regan a hope of surviving the Iran scandal. But the President, ever reluctant to sack one of his aides, has continued to support him in the face of opposition ranging from Nancy Reagan to virtually the whole of the Washington press corps.

Ex-Labour minister Dell upset his former Labour colleague Lord Thomson by arguing vociferously for Channel 4 to have the right to sell its own airtime, as recommended by the Peacock report. The trouble is Channel 4 is a subsidiary of the IBA and the Authority is resolutely against such a policy.

The search for a new chairman is, however, not going all that well. Sir Peter Parker, former British Rail chairman, said "no" after a pause for thought.

People are now reaching for the name everybody thinks of when trying to fill a top job in

British broadcasting—Paul Fox, managing director of Yorkshire Television.

Fox is being mentioned for both the BBC and Channel 4 jobs but he is unlikely to accept either. Certainly he has no intention of sending a letter to the BBC with Ref D.G. on the envelope. He was asked previously to apply and politely declined. The Yorkshire Television share options will probably keep him out of the running for Channel 4.

## Lost boys

For a company noted for drug research, the Wellcome Foundation is positively butter-fingered when it comes to its research directors. It has just lost another one—Dr Ronnie Cresswell, group head of research, who has been poached by an unnamed company.

A 53-year-old Scot whose native accent is heavily overlaid by 20 years in the US, Cresswell took over as research head in 1985 as successor to the Nobel prizewinner Sir John Vane, who had gone back to academic life. During Cresswell's tenure Wellcome also lost the research head of its US subsidiary, poached by Glaxo.

Wellcome will not say where Cresswell is off to, since his new employer is not yet ready to make itself known. It would appear to be a commercial company, in pharmaceuticals but not as its main business, and not American. Nor is it ICI.

Into the breach steps Dr Trevor Jones, presently director of development for the group. Now in his late 40s, Jones started off as a lecturer in pharmacology at Nottingham University, moved into industry

## Contrary-wise

If you had to invent the ideal New York link for James Capel, consistent winner of the UK equity research stakes in recent years, it would be very like Sanford C. Bernstein.

And Bernstein, the last independent Wall Street research house with real claims to be in the top 20, has duly signed an agreement that gives Capel world-wide distribution for Bernstein's research products.

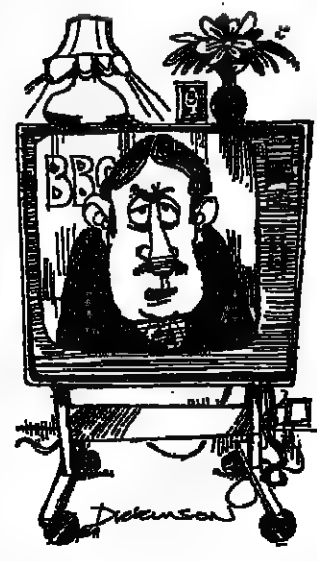
Bernstein is fond of taking up unfashionable investment causes, and has a reputation for picking the right things to be contrary about. It was a smart move to be bullish of US automotive stocks before Iacocca became a household name, and not a bad idea to be pushing oil stocks last year, when West Texas Intermediate was bumping along at \$10 a barrel.

On the other hand, contrary thinking has sometimes got Bernstein into a little local difficulty when long-term forecasts take too long to come right, quarterly performance measurement and five-year views do not always mix. But Bernstein is hopeful that investors may be getting tired of the short term. "I remember when the horizon was one day; now I think it's gone to three months," he said yesterday.

## Last word

Overheard in Harrods: "She would be an awful gossip if she'd any friends to speak of."

Observer



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"ALL OF us would love to see the fall of Basra," a rich businessman in Tehran remarked last week. "This is something all of us want, whether we used to be for the regime or against it, because deep down we're all Iranians."

In recent weeks Iranians have come to believe that they are finally winning the Gulf war. People, who were tired of the war and cynical about it a year or two ago have suddenly become interested.

Iraq's bombing of civilian targets over the past month and the Iranian's sense that victory is in prospect, have been major factors in creating a new mood. Tehran has mainly escaped attack, but Basra, the holy city of Qom, Bakhran (formerly Kermanshah) and other cities have been bombed several times a day and the death toll has risen above 2,000. The effect has been the opposite of what the Iraqis intended.

Iranians have been angered by the civilian deaths and there is a widespread feeling that the Iraqis must be made to pay. The Iraqis are determined to punish Saddam Hussein, Iraq's President, who launched the war in 1980, not least because he felt threatened by a revolution in Iran, but in an attempt to establish himself as a dominant figure in the Middle East by winning a quick victory over a chaotic post-Shah Iran.

Whether Iranian determination would survive a military setback or another long period of stalemate is open to question. Most Iraqis are tired of the war and desperately want to believe it will soon be over.

The economic cost of the war is enormous. However, the impact has been reduced somewhat by Saddam Hussein's recent decision to shift the economic burden to the Gulf states and subsidies to the cities. Power cuts in Tehran have fallen as a result to only two hours a day from eight hours in December.

Iran's crude oil export facilities are in any case limited in impact. There is ample spare capacity at the main Iranian terminal on Kharg Island.

Similarly Iraqi attacks on the main oil pipelines near the entrance of the Gulf are easily repaired. The main targets in the raids are storage tankers; given the current glut there is no shortage of ships to replace damaged vessels. In the last two months, Iraq has been exporting almost its full Organisation of Petroleum Exporting Countries' quota of 1.5m b/d.

The fall in the price of oil and the demands of waging war on Iraq, rather than Iraqi raids themselves, are primarily re-

## The Gulf War

# Iran faces prospect of a troubled peace

By Michael Field

responsibility for the country's acute shortage of foreign exchange. Foreign diplomats believe that slightly more than half this year's estimated foreign earnings of \$7bn (\$1.5bn) are being spent to support domestic war production and to pay for foreign arms.

All non-military imported items are in short supply. Some factories have had to close for lack of spares and raw materials. The public is affected not so much by a general food shortage as by a lack of certain items. Cheese and butter are almost unavailable and milk is in short supply.

Despite the new mood of optimism in Tehran, the strains of the war could still cause Iranian morale to crack. Before the launch of their recent offensive, some Iranians were heard to argue that the conflict had become pointless—Iran had recovered the territory lost in the early days of the war, and Saddam Hussein was known to want peace. Whether such arguments would move the religious and revolutionary authorities, who are totally committed to the war, is doubtful.

Since Iran drove the Iraqis from its territory in 1982 it has always seemed more likely that Iraq will eventually crack, even though it may take years rather than months. Iran has a population of almost 60m, its troops are highly motivated and the front line is much closer to the Iraqi heartland than that of Iraq.

Although Iraq's equipment is much more sophisticated than Iran's, it is the will to go on the offensive. It has long been

accepted in western military circles that Baghdad cannot win. Iran's hope is that one of its offensives will cause the Iraqi army to turn on Saddam Hussein. Alternatively, they hope that the fall of Basra, Iraq's second city, could lead to economic collapse and the possibility of a military and civilian revolt. At the least Iran will insist on the removal of Saddam Hussein and his Baath Party from power.

Despite the fears of western governments and the traditional regimes of the Arab peninsula, most reliable political observers on Tehran say that the Iranian Government will not attack the Gulf states and Saudi Arabia if it wins the war. There is no appetite in Tehran for further campaigns.

None the less, a victorious Iran would have powerful influence in the Middle East and would be an inspiration to Islamic fundamentalists everywhere.

At home, victory could bring a change in the Government. An end to hostilities would bring domestic problems to the fore. The continuation of government policy on such issues as land reform and the role of private enterprise, as well as the Government's failure radically to improve the income of the poor are likely to come in for sharp criticism.

Eight years after the revolution, Iran has still not decided what sort of Islamic state it wants to be. The pattern of its politics is one of manoeuvring factions.

On the left is the majority of the Cabinet, led by Mir



Rafsanjani: represents the centre-left in a government dominated by faction fighting

Hossein Mousavi, the Prime Minister. Behzad Nabavi, Minister of Heavy Industry, who rose to prominence as leader of a hard-line Islamic gang in the street fighting that followed the revolution, and Hojatolislam Khomeini, the Public Prosecutor, who led the students who occupied the US Embassy in 1979-81, are also prominent on the left, which favours more government control of trade.

Slightly left of centre is a group associated with Hojatolislam Rafsanjani, the pragmatic Speaker of Parliament, with whom the US Government recently hoped to deal. A little further towards the centre are Ayatollah Khomeini, the President, and Mohsen Rafiqdoost, Minister of Revolutionary Guards, and about half the parliamentary deputies.

On the right are several factions associated with conservative ayatollahs, principally Azari Qomi, the publisher of the newspaper Resalat, and Mahdavi Kani, the secretary general of the Tehran Militant Clergy Association. These men favour free enterprise but support severe restrictions on social freedoms for religious reasons.

Ayatollah Khomeini, the leader of the Revolution, is the designated successor, Ayatollah Montazeri, above the factions, and the politicians fight for their support. In fact, Ayatollah Khomeini often seems more a follower than a leader. Since 1979 he has often allowed the revolution to take its own course, endorsing after the fact

the policies of whichever faction has prevailed.

This faction fighting with the checks and balances written into Iran's constitution, creates immobility. The Government may propose legislation only to find it amended by parliament and thrown out altogether by the conservative ayatollahs in the Council of Guardians.

Despite these problems, the regime appears much more confident than in the early years after the revolution. It is more relaxed in handling its people and there are fewer sudden crackdowns on, for example, women showing too much hair below their scarves.

Nonetheless, the middle class which largely survived the revolution, remains concerned about the future. Will the country become a conservative Islamic state, a left-wing one, or something in between? Such uncertainty discourages investment despite recent government moves to encourage industry and exports of simple manufactured goods.

The succession to Ayatollah Khomeini gives further cause for concern. While it is taken for granted that Ayatollah Montazeri will succeed as Imam, he is likely to be even more a figurehead than Khomeini. The most likely outcome is that the factional power struggle will intensify even further.

But it is the war itself which causes the greatest uncertainty. Until it ends, political and economic instability must remain a fact of life; and the long-term character of the Islamic Republic will remain an open question.

## UK building societies

# Oh! Brave, new (muddled) world

THE BUILDING SOCIETY movement, an industry which controls £137bn in assets and dominates Britain's home loans and savings markets, appears to be suffering from an identity crisis.

This is not so much a practical problem of day to day conduct as a deeper, philosophical point. It is best illustrated by the fact that societies cannot articulate their own objectives.

Most businesses, however complex their corporate strategies, know that they exist primarily to make profits. Building societies are different. Creatures of the 15th and 19th centuries, they are mutual institutions, do not have shareholders in the accepted sense of the word and do not distribute dividends.

The far-reaching 1986 Building Societies Act made it essential for societies to know exactly what their purpose is. Societies are now allowed to diversify from their traditional savings and home loans businesses into a wide range of new banking, housing and investment services. Without a guiding principle their diversification strategies will lack coherence and there will be no yardstick against which to judge how well they are doing.

It was after the Second World War, when societies started expanding beyond their home bases, losing their local contacts, that the identity crisis became acute.

Shareholders (building society jargon for depositors) exerted no discipline, so societies' managers were free to do what they liked. Unsurprisingly, they went for growth.

This growth ethic reached its apogee in the 1970s. Societies went on spending sprees, building up nationwide branch networks and paying out millions of pounds on advertising campaigns to try to expand their customer bases. But little thought was given to how profitable or beneficial such expansion would be to existing customers.

From the 1980s, a reaction set in as banks started moving into the home loans and savings markets with a vengeance. Societies found they could no longer grow so quickly unless they allowed their profitability to fall.

chief executive of the Nationwide Building Society, the UK's third largest, puts it: "Growth for growth's sake was not a suitable objective."

The new act will lead to a fresh spate of competition, making attention to profits even more important. "In order to do what we want to do, we have to have financial strength," says Mr Jim Birrell, operations director of the Halifax Building Society, the UK's largest.

Other societies agree. But, if they need profit to achieve some further objective, what is that objective?

One reply is that profit is a goal in itself. Mr Peter Birch, chief executive of the Abbey

determine its course of action when the profit motive conflicts with philanthropy.

Some societies, for example, are now trying to devise financial packages to help revive the rented housing sector. However, they stress that they are not part of the welfare state and cannot make profits out of rented housing without a government subsidy.

If profit were to be made the prime objective, societies would first have to shed their mutual status and become public companies. The need to satisfy dividend-hungry shareholders would then give them every incentive to maximise profits.

Under the new act, they will be able to become public companies from 1988. Unfortunately, the mechanics of doing this are the subject of further confusion. Who will get the proceeds of a flotation: today's depositors or tomorrow's shareholders?

This question, a version of which exercised the TSB in the run-up to its £1.5bn flotation last year, has no obvious answer: neither group has done anything to build up societies' net worth—previous generations of depositors, who are long since dead, did that. But it is important to know who ever gets the proceeds stands to make a massive windfall profit. The industry as a whole would fetch something in the region of £10bn on the open market.

The second way out of the muddle would make philanthropy the prime objective and profit a subservient objective. This could best be done by leaving societies' mutual status untouched.

However, as everybody has a different idea about how to help other people, somebody would have to be given the job of deciding. Should it be the managers, the depositors or a third party such as the Building Societies Commission, whose main responsibility is to ensure they are prudently run. It is not clear which.

But whether societies incline towards profit or philanthropy, they will have to decide between the two before they can set sharp objectives for their day-to-day planning.

## Hugo Dixon asks whether profitability or philanthropy should be the societies' goal

Nationwide Building Society, the country's second largest, seemed to be taking this position when he said recently that, in determining which new businesses societies should enter, "the aim must first and foremost be to make a profit."

But since societies lack shareholders to whom they can distribute their profits, it is difficult to see how profit can be a goal in its own right.

Another answer, given by Mr Birrell, is that "profits are there to enable expansion."

But this begs the question "why expansion?" Yet another factor is that societies have a social responsibility and to fulfill it efficiently, they need a minimum level of profits. This is the thinking behind several societies' plans to help regenerate the inner cities and revive the rented housing market.

As Mr Melville-Ross says, societies should be philanthropic, not materialistic institutions. That would be an adequate answer to the identity crisis if he did not then add that societies have to invest in social infrastructure to protect their markets for the long run. This view of twin objectives is a philosophical muddle. It cannot help a building society

## Investment monitoring

From Mr P. Haines

Sir—If the accusation, made by Mr D. Allison (January 30), is justified, that fund managers are interested in short term profits at the expense of long term investment, then I am as saddened as he is.

Must, however, take issue with his assertion that this is the fault of the performance monitoring industry for failing to create a proper yardstick against which to compare UK pension fund managers. His criticisms seem to be based on three factors, namely the period of assessment, the use of market values, and no measurement of risk.

It is undoubtedly true that investment managers are replaced on a more frequent basis now than they were 20 years ago, but as this is almost certainly as a result of trustees taking a much more active and positive interest in the assets of their pension funds, surely this must be a beneficial development. A manager should be allowed at least five years in which to demonstrate his investment ability, and there is clearly a need for all investment consultants to stress the necessity of assessing performance over a sufficient time-frame. One wonders, however, whether some investment managers have not themselves contributed to this concentration on short term performance: rarely does an investment manager produce an economic forecast based on more than the next 18 months.

If five years is considered insufficient, then it must be asked how long is considered necessary to allow an investment manager to lose money for a pension fund, relative to his peers, before trustees take action? If they feel that a longer period is necessary, can investment managers demonstrate that they would actually incorporate such a time-frame into their decision making processes?

Mr Allison refers to market values as "ephemeral." Ephemeral or not, market values do have the virtue of objectivity. Methods which would value stocks by, for example, discounting future income would depend crucially on assumptions made by the performance monitor himself: would be such a high degree of subjectivity be acceptable to the investment management industry as a whole? Furthermore, although the "value" of an individual security may not be adequately reflected by its market value, such distortions have relatively little impact when performance is assessed over a five year period. The portfolio being assessed consists of a large number of stocks, and comparison is against managers in a similar situation all of whom would suffer more

## Letters to the Editor

more less equally from any general distortion in market levels.

I agree that performance monitoring is not complete without some assessment of the risk inherent within a portfolio. No investment manager recognises that performance statistics are there to help trustees and to enhance the relationship between trustees and the investment manager and do not view them with such hostility. No investment manager worth his salt prefers to keep from trustees the facts about investment performance, and thus protect himself and his colleagues from the competitive criticisms which they are, in general, keen to encourage upon the rest of the UK economy.

Paul Haines,  
Noble Lowndes Investment Monitoring,  
PO Box 144, Norfolk House,  
Wellesley Road, Croydon.

## Measures of performance

From the Finance Officer,  
Nuffield Foundation

Sir—Mr Allison (January 20) rightly protests at institutional investors' preoccupation with short-term performance measurement.

To my mind the existing measurement techniques over-emphasise changes in capital value in the short term. The measurement of "total return" (income plus capital appreciation of less capital depreciation) involves combining two qualitatively different elements of return. Only in retrospect and in the event of liquidation or sale and distribution of the profits are capital returns actually the same as income returns. Whereas in prospect the income component is usually predictable, the capital component is less predictable and fluctuates widely because it is a reflection in capital terms of changes in information and perceptions about future income flow. Inevitably it tends to move by large amounts which are a multiple of expected income changes (approximately the price-earnings multiple, whether for property or shares). We have seen how a small change in a profit forecast can produce a capital fluctuation which exceeds several years' income. Another aspect of the difference is that an income return can only be positive, whereas a capital return can be either positive or negative, especially in real

terms. In this respect all income-producing investments are similar. They all display fluctuations in capital value which are a multiple of changes in real income flow. The effect is that income returns are about this year's money, whereas capital fluctuations are about future years' money, extending over perhaps ten years.

Is this then the fallacy in the total return concept, when used for short periods of a year or less? Since institutions can not normally liquidate all their capital returns and leave the markets altogether, they are likely to encounter adverse fluctuations in future periods. These, if simply added to income flows, may obscure the long-term target of income growth which underpins capital growth.

How could capital fluctuations be discounted? If it is accepted that capital fluctuations relate partly to future periods, logic might suggest a form of spreading of capital fluctuations over longer periods, perhaps by some form of moving average. But it would be foolish to suggest a particular basis unless it becomes evident that others are sympathetic to this purpose, which is to reduce the emphasis in performance measurement of short-term chance elements.

R. C. Marshall,  
28 Bedford Square, WC1.

## Not for widows or orphans

From Mr A. Murdoch

Sir—There has recently grown up a habit in takeovers, especially where they are contested, which is giving me some cause for concern. This practice is the unsolicited telephone call to small shareholders trying to persuade them either to accept or to reject a bid.

Several clients have been approached on the telephone with regard to such shares. Those who have talked to me about this have, possibly by chance, all been female. They have all been rung up during the evening usually between eight o'clock and nine o'clock at night and they have all, in fact, been small shareholders. One lady of 92 was telephoned at 8.30 pm. Her shareholding consists of 2,130 shares which I had bought for her on September 20 last year. Another lady in her eighties, whose shareholding is held as a trustee for her late husband, was telephoned even later at night and

she only has 3,000 shares which have been held for many years.

It seems to me wholly undesirable that companies, or their merchant bank advisers, should approach these sort of shareholders inevitably causing worry and anxiety. This must be the case particularly where it is unlikely that such a size of shareholding will affect the outcome of the bid.

A. W. Murdoch,  
Cobbold Roach & Co.  
Calpe House,  
St Thomas Street,  
Winchester, Hants.

## How not to teach mathematics

From Mr W. Manser

Sir—It is not marketing skills, as suggested by Michael Dixon (January 30) that mathematics teachers need. It is artistry.

People are either numerate or illiterate: very few are both. Mathematics are by definition numerate. Teachers have verbal skills, or they have nothing. Consequently, very few mathematicians can teach. I have an undimmed memory of my own maths master illustrating a garbled utterance on the concept of infinity by drawing two parallel lines on the blackboard and propounding that infinity was where they met. When his class objected, with mild indignation that they plainly met neither at infinity, nor anywhere else, he consummated his case to his own satisfaction by pointing out that infinity was.

Perhaps it might on the whole be better, at least for primary and lower secondary school purposes, to seek out good expositors and imbue them with the elements of mathematics, for onward transmission. In the upper reaches of school and university the students will be numerate anyway, and they and their lecturers will be able to understand one another—without using English at all, as it often seems.

The above will explain why mathematicians and, in this econometric age, economists, often seem to be beyond ordinary intellectual grasp. It is not that they are necessarily arcane: it is that they are unintelligible. They are unhappily unable to speak our language.

This also explains the great reputation and influence of some mathematicians and economists, the Einsteins, Hoyles, Keyneses and Friedmans. They are that rare combination of numeracy and literacy. They may not even be good mathematicians and economists, for all we know. But they are commanding because they are understood. It also explains why economists are derided by politicians, who are literate.

W. A. P. Manser,  
6 Portugal Street, WC2.

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# FINANCIAL TIMES

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## US-Bonn divisions begin to show

A STRING of differences between Washington and Bonn over political and economic developments is starting to test the generally good working relationship between the US and West German governments.

Mr Helmut Kohl, the West German Chancellor, re-elected in the January 25 elections, frequently faced opposition criticism during the run-up to the poll that he was following too closely a pro-US line.

Mr Kohl's standard, somewhat apologetic, rejoinder in recent months has been to say that he is no "vassal" of America. As pressures build up in a number of areas from trade policy to Bonn's position over two German hostages held in Lebanon, the chances are that Mr Kohl will have to repeat the excuse a little less often in coming months.

Reflecting West Germany's peculiar position at the seismic fault-line between East and West, as well as the sometimes strained US role as guarantor of the country's security, there is nothing unusual about periodic ups and downs in the relationship between the two allies.

In contrast to the personal antipathy between the two leaders, Mr Helmut Schmidt, and Mr Jimmy Carter, Mr Kohl prides himself on a staunch - although not necessarily very profound - understanding with President Ronald Reagan.

What is new, however, about the latest transatlantic tensions is that they stretch across a wide variety of topics - and touch on a new-found

### David Marsh looks at the strains being placed on West Germany's relationship with the US by widely differing approaches to the problems of terrorism and trade.

self-assertiveness in Germany above all in areas of trade and high technology.

According to both US and German officials, strains are coming to the surface for two main reasons: the massive American trade deficit and the weakening dollar, and the diplomatic overtures made towards Europe by Mr Mikhail Gorbachev, the Soviet leader.

Allied to this, the Reagan Administration has generally lost credibility as a result of the morass in Washington over the Iran weapons affair.

In particular, this episode revealed the limits of America's own advertised tough policy over dealing with international terrorism. It may yet have an effect in influencing Bonn in favour of a softer line in trying to obtain the release of two company officials seized by guerrillas in Beirut last month.

One option which seems not to have been closed is that West Germany, to allow time to bargain free the two men, could hold up the extradition to the US of Mr Mohammed Hamadei, a Lebanese ar-

rested in Frankfurt last month for the hijacking of an American airliner in 1985.

Recognising that the US has already lost some of its ability to give a moral lead over terrorism, officials here say that Washington is showing "sensitivity" in not pressing Bonn for immediate extradition of Mr Hamadei.

The Bonn Government has imposed a news blackout over the hostage drama. But over an only slightly less explosive issue - trade policy - the Americans themselves have been making the most noise.

Mr Richard Burt, the US Ambassador to Bonn, has twice during the last 10 days sounded off fierce open criticism over what he labels European protectionism in aerospace, armaments and agriculture.

Apart from hitting out at European subsidies over the Airbus - of which Bonn remains a strong political supporter - Mr Burt has also surprised some German officials by appearing to attack German weapons procurement policies.

Officials say that the US is concerned over West Germany's prac-

tice of building combat aircraft and weaponry in collaboration with other European countries rather than ordering material from the US.

Although the bilateral trade balance in military equipment remains strongly in the US's favour, the German deficit is now being steadily reduced, officials say.

US officials are also worried that the campaign of diplomatic seduction towards the West undertaken by Mr Gorbachev could tempt West Germany to take a less strict line in its Ostpolitik, for instance over exports of sensitive technology to Moscow.

Bonn-Moscow relations were strained at the end of last year by Mr Kohl's comparison of Mr Gorbachev with Josef Goebbels, the Nazi propaganda chief. But unease among Washington hawks over German policies is likely to have been strengthened by the weekend speech by Mr Hans-Dietrich Genscher, the Foreign Minister, in which he called for Mr Gorbachev's new policy style to be taken seriously.

Reflecting on the problems faced by President Reagan over the Iran affair, one close adviser to Mr Kohl said, "Gorbachev is now on the sunny side." And, underlining the difficulties which may still lie ahead for the US over the dollar, he added: "The Americans still do not understand that the fall of the dollar could damage their influence in the whole world."



Charles Schwab: buying back Brokerage

### Bank America to sell Schwab

By William Hall in New York

BANKAMERICA, the struggling US West Coast banking giant which is trying to fend off an unwelcome takeover approach from First Interstate, has agreed to sell its profitable Charles Schwab discount brokerage operation back to Mr Schwab, the company's founder, for \$220m.

The sale is the latest sign of the major restructuring underway at BankAmerica. It follows the recent sale of the group's highly profitable Italian banking subsidiary to Deutsche Bank for \$603m and that of the group's consumer trust business to Wells Fargo for \$100m. In a separate announcement yesterday, BankAmerica said it sold its UK mortgage subsidiary to Bank of Ireland for \$25m (\$37.5m).

CL Acquisition Corporation, a new company formed by a group of investors led by the 46-year-old Mr Schwab, is buying America's biggest discount broker for \$175m in cash, and \$55m of 9 per cent junior subordinated debentures.

BankAmerica, which bought Charles Schwab in 1983 for \$37m, has the right to receive 15 per cent of the appreciation in value of the common equity of the new company over eight years. BankAmerica has also assigned to CL a \$30m note evidencing an advance to Schwab, in exchange for \$50m 10 per cent senior subordinated debentures.

Charles Schwab has been one of the few lucrative investments for the troubled banking group and BankAmerica expects to report a pre-tax gain of \$130m on the transaction.

While the sales are enabling the group to make some handsome gains on its assets and bolster its capital ratios, analysts continue to be concerned about the quality of the group's loan portfolio and the above average credit losses.

Mr Tom Clausen, BankAmerica's chief executive, said that the group had shifted its strategy to concentrate its resources on its banking operations. "The gain from the Schwab sale will strengthen our capital position, thus enhancing our banking services capabilities," said Mr Clausen yesterday.

Mr Schwab is known to have been increasingly restive at BankAmerica and resigned from the board last year following growing concern at the group's mounting financial problems. He says that the repurchase of his company will enable it to expand the scope of its services offered to customers beyond those permitted by more restrictive banking laws which governed BankAmerica.

However, Schwab will continue to maintain ties with BankAmerica. David Lascelles in London writes: Bank of Ireland's purchase of BankAmerica's UK mortgage subsidiary will greatly increase its UK presence and underline its policy of international diversification.

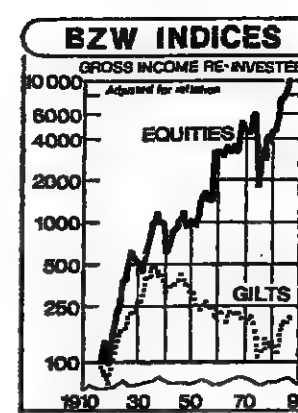
BankAmerica Finance is estimated to have earned \$5.4m last year. Its total assets are put at \$850m, and net assets at \$7m. It specialises in residential mortgages, mainly to the upper end of the market among higher income groups and in the south-east of the UK.

## THE LEX COLUMN

### The beginning of the end

Markets are supposed to discount future developments, but there is something a touch ridiculous in the behaviour of the market in Glaxo shares at present. Yesterday, the price was up by the best part of £1 to £13.77 in anticipation - it was being said - of an investor presentation that is due to take place in three weeks' time.

The right price for Glaxo may well be nearer £20, but the way it is getting there smacks of the Indian Rope Trick. And the upward movement in the London equity market - breaking new ground again yesterday - seems so dogged as to be cause for some suspicion.



year ago to use Lasso as the cutting edge of its long term strategy RTZ could have acquired these shares at half the current price of 188p during the oil price nadir last summer.

The obvious conclusion being drawn yesterday was that RTZ had put a floor of about 180p under the Lasso shares. On the terms of the original deal with Lasso, RTZ may not bid until December. Under Stock Exchange rules, RTZ cannot bid at lower than any acquisition price made during the previous 12 months. So RTZ is not so much putting a floor under the price, as giving itself the ability to make a low bid quickly if the oil sector turns very nasty again next year.

It may not be accidental that the day before RTZ's latest finesse, Enterprise oil shareholders voted through the deal giving ICI a 25 per cent stake in their company. With RTZ's grip on Enterprise loosened somewhat, it does no harm to tighten its hold on the bird in the hand.

Having bought into Lasso at 230p, and sold out of enterprise at 150p, RTZ has taken a book loss on its middle-game strategy. But a year is a short time in the perspective of RTZ, and there are almost two years to go before Enterprise's golden share is redeemed. The opening of this game is over, but the end-game is still some way off.

has been reinvested. But even a top-rate taxpayer would have made 3 per cent per annum more than inflation. In recent years the performance has been even more remarkable.

Starting at the low point in the market, the end of 1974, the annual return has been 17.5 per cent, and over the last five years has exceeded 20 per cent. By contrast the real return on gilt-edged has been paltry at 0.9 per cent a year since 1978, and 5.7 per cent since 1974.

While this sort of study may have little predictive value, lessons can surely be drawn. Reinvesting a rising stream of income from shares has been a surefire way to make money. In capital terms the equity market has merely quintupled since 1978, and has yet to regain the level of 1980.

With the help of gross dividends it has multiplied more than 100-fold. A more detailed look at individual years suggests that equities are not the great inflation hedge they are made out to be. Indeed they do best when inflation is low or negative, and worst at times when inflation is taking off. Then short-term, homes like Treasury bills are usually the least bad investment.

This leads to the conclusion that gilt is a poor deal, underperforming equity bull markets, and less defensive than cash in the downturns. The yield gap has generally been insufficient to even up the returns, casting some historical doubt on whether the current 84 per cent difference is wide enough.

#### US auction

This week's auction of the US long bond is becoming the most nail-biting affair. Much hinges on the attitude of the Japanese funds, which have a difficult judgment to make, balancing the currency erosion of their capital against the likely coupon. Even if yields stay above 7 1/2 per cent until the auction is completed, the bargain may not look too exciting on strict investment grounds. But there is a strategic reason why the Japanese may yet decide not to sit this one out. Anything that makes the dollar slide faster downhill - such as a bond-auction boycott - is bad news for Tokyo. Unless, that is, the Ministry of Finance were to decide that the dollar is best saved by being rushed into an unsustainable overshoot.

#### Long equities

An annual real return of 7.3 per cent over a sustained period should satisfy all but the most demanding investor. But where can such a splendid investment be found? One need look no further than the UK equity market, for that is the return since December 1978, as computed by Barclays de Zoete Wedd (BZW). In the calculation, gross income

#### RTZ

The similarity between business and chess has rarely been so clearly illustrated as by Rio Tinto-Zinc's long range manoeuvring in the oil sector. The news that RTZ has spent about £12m bringing its stake in Lasso up to 28.9 per cent is not as such surprising; but the timing is odd. Having made the judgment a

## US may remove telephone company curbs

By William Hall in New York

THE US Department of Justice has recommended lifting the bulk of the restrictions on the business activities of the seven regional Bell telephone companies, permitting them to manufacture telephone equipment, provide information services and enter the long-distance telephone market.

The Justice Department's sweeping recommendations come three years after the break up of AT&T, which had dominated the US telephone industry for more than 100 years. They reflect the US Administration's efforts to inject more competition into the local telephone system and help the regional Bell operating companies to begin competing more forcibly in international markets.

As part of the 1982 court agreement paving the way for the break-up of AT&T, the Bell operating companies, which have a monopoly on local telephone services, were not allowed to compete with their former parent in the long distance telephone market. They were also barred from providing information services, manufacturing telephone equipment and entering into any non-telecommunications business.

The regional Bell telephone companies were quick to welcome the Justice Department's report, but AT&T reacted angrily to the recommendations. Mr Charles Marshall, AT&T's vice chairman, said that "three years ago the Justice Department broke up the finest telecommunications business in the world - the Bell system - so it could put in place new rules for the industry. Now that same Justice Department wants to change the rules again and risk recreating the chaos that characterised the industry just a few short years ago."

## Bank of England chief issues warning on takeover controls

By David Lascelles, Banking Correspondent, in London

MR Robin Leigh-Pemberton, Governor of the Bank of England, last night issued his sternest warning yet to the City of London to respect the UK Takeover Code or risk the imposition of statutory controls. "If that is the price that we have to pay for effective enforcement and sanctions, then pay it we shall," he said.

Mr Leigh-Pemberton, who was addressing the Overseas Bankers Club banquet at the Guildhall, said he still hoped that it would be possible to strengthen the Takeover Panel, the City's voluntary body which administers the Code, by non-statutory means. But he warned that the City would have to show its willingness to support the panel to head off legislative action.

It was wrong, he said to imagine that US houses with their aggressive and legalistic approach, were the only ones who did not accept the authority of non-statutory bodies. British houses had not been "uniformly compliant" in this regard. But if the panel's status was changed, it would lose the qualities

of speed, commonsense and flexibility. The Bank is currently engaged in discussions with the panel and other City institutions to find ways of strengthening its role and improving the conduct of takeovers. The governor said last night that he believed the self-regulatory bodies being set up under the Securities and Investments Board might also have a role to play.

Mr Leigh-Pemberton also warned that 1987 could throw up more difficulties with Third World debt.

## Morgan Grenfell recasts management

By our Banking Correspondent in London

MORGAN GRENELL, the British merchant bank, yesterday installed a new management structure as it began the task of repairing the damage caused by the Guinness affair.

Top authority in the group is to be vested in a new executive committee consisting of directors responsible for all of Morgan's main lines of business, under the chairmanship of Sir Peter Carey, the former civil servant who has assumed control of the bank.

But the changes do not include the appointment of a new chief executive to replace Mr Christopher Reeves who resigned two weeks ago, along with Mr Graham Walsh, the head of the corporate finance department. Morgan still hopes to appoint a new chief executive, and Sir Peter told staff yesterday that this was "not a role I purport to fill."

The 10-man executive committee will include directors from the board level as well as directors

closely concerned with the group's day-to-day operations. This is intended to bring younger blood into the management and strengthen the senior ranks. Sir Peter said the appointments "draw on our great reserves of talent and initiative, and will mean that a wider range of directors will be actively involved in the day to day management of our business."

Each of Morgan's four main business streams will have an operating committee whose chairman will have a seat on the executive committee. These are Mr Michael Dobson, who is in charge of asset management, Mr Richard Webb, recently appointed head of corporate finance in succession to Mr Walsh, Mr Christopher Whittington, in charge of debt securities and banking, and Mr John Holmes, who runs Morgan Grenfell Securities, the equity subsidiary.

The other members of the executive committee are Lord Pennock, Sir John Sparrow, Mr Blaise Hard-

man and Mr Jon Perry, all group directors, and Mr John Rawlings and Mr Charles Rawlinson, the group vice-chairmen.

Morgan is also setting up a new supervisory committee which will be responsible for preserving the integrity of the bank. Its job will be to ensure that Morgan does not suffer a repeat of the Guinness affair where its observance of the regulations has been under question. This committee will be chaired by Mr Whittington.

The effect of all these changes is intended to be that Morgan will have stronger, more direct management, and more formalised control. This marks a radical shift from the management philosophy of Mr Reeves who believed that merchant banking was basically creative business that thrived under minimal management control.

The announcement failed to impress the stock market where Morgan's shares fell 4p to close at 417p.

## World Weather

Area	Temp	Wind	Cloud	Vis	Area	Temp	Wind	Cloud	Vis
Algeria	12	15	10	10	Madrid	12	15	10	10
Amman	10	12	10	10	Manchester	10	12	10	10
Baghdad	10	12	10	10	Paris	10	12	10	10
Bombay	10	12	10	10	Rome	10	12	10	10
Brussels	10	12	10	10	Sao Paulo	10	12	10	10
Cardiff	10	12	10	10	Seoul	10	12	10	10
Cairo	10	12	10	10	Singapore	10	12	10	10
Canton	10	12	10	10	Stockholm	10	12	10	10
Chongqing	10	12	10	10	Taipei	10	12	10	10
Copenhagen	10	12	10	10	Tokyo	10	12	10	10
Dakar	10	12	10	10	Winnipeg	10	12	10	10
Dhaka	10	12	10	10	Zurich	10	12	10	10

## Airbus rebuff for US

Continued from Page 1

ble if the dispute was not resolved. At their briefing, the US officials declined to speculate on the likely nature of such retaliation, although among other things, it could incorporate barriers to European aerospace exports to the US.

However, Mr Smart also moved to play down fears that events could take such a bitter turn. "Neither side is locked into any particular course of action... We don't want it to be the source of a trade action," he said.

Mr Pettie said that neither on the question of subsidies nor on market distortion did Europe have a case to answer. US Defence contracts to its aerospace industry, which incorporate a hidden subsidy, amounted to \$47.5bn over the past 15 years,

while over more than 1,000 US-built large passenger aircraft were operating in Europe compared with only 60 Airbus within the US.

The UK especially found it "slightly bizarre" that the US should be crying foul over Airbus competition. British Airways had recently contracted to purchase Boeing 747 jets worth \$2.6bn and the British Government had opted for the Boeing Airborne Warning and Control System (AWACS) for the RAF last year.

The US is to seek speedy clarification of the aircraft rules within the framework of the Gatt, but Mr Pettie said that this would inevitably take a long time, although the European side was prepared to discuss the matter in that forum.

## Volcker urges slower growth

Continued from Page 1

peets for an early meeting of the Group of Five industrial countries diminished. The five have ruled out a meeting this weekend and there are indications that their next talks will not be until the April meeting of the International Monetary Fund.

The dollar has risen strongly at the end of last week in response to an apparent improvement in the US trade position, but yesterday a generally bearish view of the currency's prospects re-emerged.

The US currency closed in London at DM 1.678, 2.45 pence less than on Friday, while sterling gained 1.05 cents to end at \$1.5240.

## NEWS REVIEW

### BUSINESS

#### Test system for Harrier

A Ministry of Defence contract worth £1m has been awarded to the Navigation Systems Department of Ferranti Defence Systems to supply AST 1200 avionics test equipment to support the GR5 Harrier aircraft when it enters service with the Royal Air Force. Developed by the department's Bellshill-based Automatic Test Equipment Group, AST 1200 is a ruggedised and compact, man-portable test system designed specifically for use on the flight line or in the field with forward deployed weapon systems.

#### Eskmeals link

Ferranti Industrial Electronics, Communication Systems Group, has been awarded a £100,000 contract for the provision of a Type 14000 broadband microwave link system for MoD Eskmeals.

The system will be supplied on subcontract to Rascal Marine Radar who will provide the complete range radar safety / monitoring system.

#### Briefly...

Ferranti has opened a new office in Crystal City, Washington DC, to provide a central focus for the marketing of tactical data links in the USA and Canada.

The Port Authority of Jamaica and the Mersey Docks and Harbour Company have placed orders worth £1m with Ferranti Container Handling to refurbish container handling equipment.

## ADVERTISEMENT

### SONAR

#### £44m double success

A prototype version of the Ferranti Type 2050 sonar has gone to sea in trials ahead of schedule for sea trials in the Royal Navy's frigate HMS Jupiter.

2050 is a hull-mounted active sonar from which FMS 21, the Ferranti export sonar system currently under consideration by the Hellenic Navy for its new frigate programme, is directly derived. Following the trials, which confirmed confidence in the overall validity of the design,

the MoD has awarded Ferranti Computer Systems on Cheadle Heath Division, a £20m contract to build a second batch of Type 2050 sonars.

This brings the order book for Type 2050 to £44m and Ferranti will build 17 operational sets over the next few years. They will be fitted in the Royal Navy's latest Anti-Submarine Warfare frigates, the Type 23s, enabling them to counter the threat from submarines expected to be operating in the 1990s.

### HOSPITALS

#### Delphi-Phoenix leads

At £1.3m the order for a Ferranti Delphi-Phoenix diagnostic services computer system from Wessex Regional Health Authority is the biggest of its kind ever ordered for the NHS.

This latest order confirms Ferranti Computer Systems, Wythenshawe Division, as the country's market leader for the supply of non-administrative healthcare computing and Wessex REHA as the leading authority for the purchase of computers which directly serves patients' health needs.

The all-British Delphi-Phoenix Diagnostic Services computer is designed to serve eight clinical disciplines covering all five major hospitals in the Southampton District Health Area.

The system will cover the departments of Clinical Chemistry, Haematology, Blood Transfusion, Microbiology, Immunology, Virology, Histopathology, and Cytology with provision for a sub-system for Radiology, a possible future integration. Ferranti Delphi-Phoenix computer systems currently in order or installed in the UK cover 23 districts and include 127 departments serving 48 hospitals.

## The good news is FERRANTI Selling technology





# SECTION II - COMPANIES AND MARKETS

## FINANCIAL TIMES

Tuesday February 3 1987



### Diamond Shamrock sets up takeover defences

BY OUR NEW YORK STAFF

DIAMOND SHAMROCK yesterday announced plans to split itself into two parts and unveiled a major management reshuffle in a desperate effort to escape from an investor group led by Mr. T. Boone Pickens, the Texas oilman who has launched a cash tender offer for 18 per cent of the Dallas-based energy group.

Mr. William Bricker, Diamond's 54-year-old chief executive who will resign on completion of the restructuring, described yesterday's announcement as the "culmination of steps taken over the last two years to improve the company's competitive position as a pure oil and gas business".

The main elements of the package are:  
 • The group's refining and marketing operations with annual sales of \$1.8bn and over 2,000 branded outlets will be spun off to shareholders within the next 90 days. Diamond Shamrock shareholders will receive one share in the new company, which will seek a listing on the New

York Stock Exchange and pay annual dividends of 40 cents, for every four Diamond Shamrock shares;

• Diamond Shamrock will begin a cash tender offer later this week for 20m of its shares at \$17 per share. The Prudential Insurance Company of America has purchased \$300m of preferred stock which is convertible into 17.5m shares of common stock of Diamond Shamrock beginning in 1990. Prudential expects to appoint three directors to the Diamond Shamrock board.

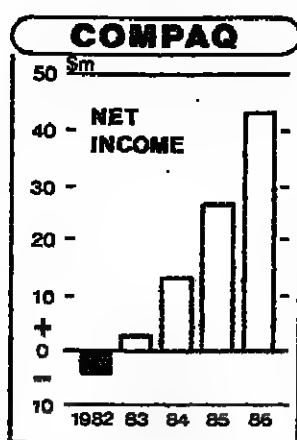
• Diamond Shamrock, which has 140m barrels of oil reserves and 800bn cubic feet of natural gas, will concentrate on exploration and production operations and will review its remaining non-oil and gas assets. The company will not pay a dividend.

In addition, Diamond Shamrock has unveiled a sweeping reorganisation of its management team which will result in the departure of Mr. Bricker, who has been blamed for the company's erratic financial performance in recent years.

Mr. Charles L. Blackburn, who was brought in from Shell last year, has been appointed chief executive of Diamond Shamrock and will succeed Mr. Bricker as chairman following the completion of the spin-off. Mr. Roger Hemminghaus, a former Exxon executive, will become chairman and chief executive of the refining and marketing company at the time of the spin-off.

Diamond Shamrock's shares fell by 5% to \$14 1/4 in early trading yesterday. The Diamond Shamrock board had previously determined that Mr. Pickens' offer was "coercive and inadequate".

• Texas Eastern, the energy and gas pipeline group, is to spin-off a 55 per cent stake in its liquefied petroleum gas (LPG) operations in an initial public offering of 12.5m units of Petrolene Partners, a master limited partnership which will own and operate the Petrolene operations which Texas Eastern bought for \$1.04bn in 1984. The company hopes to raise around \$250m from the sale.



### Compaq continues to climb

By Louise Kehoe in San Francisco

COMPAQ Computer, the US personal computer manufacturer, reported a sharp rise in profits and sales for 1986 and for the fourth quarter.

The company's 1986 sales rose 24 per cent from \$303.9m to \$363.2m. Net income was up 61 per cent from \$28.5m, or 90 cents a share in 1985, to \$42.2m, or \$1.33 a share on a fully diluted basis.

Compaq recently issued 6.5m shares in connection with the redemption of convertible subordinated debentures.

Sales for the fourth quarter of 1986 were \$108.9m, a 20 per cent increase from sales of \$106.3m for the fourth quarter of 1985.

Net income for the period was \$16.2m, or 49 cents a share, compared with \$10m, or 32 cents, in the fourth quarter of 1985, a 62 per cent increase.

Compaq said its good fourth quarter was tied to strong demand for its higher performance personal computers, which accounted for 72 per cent of sales in the quarter.

Demand for Compaq's latest 32-bit personal computer, the Deskpro 386, exceeded supply throughout the quarter, said Mr. Rod Canon, president and chief executive.

"We plan to increase the percentage of high performance personal computers in our product mix," he added.

Export sales more than doubled during 1986, Compaq said, leading to the company's recent announcement of plans to establish a \$23m manufacturing plant in Scotland that will serve the European market.

Compaq also announced plans to form a Singapore subsidiary that will assemble circuit boards, beginning in mid-1987. The circuit boards will be shipped to the new Scottish factory the company said. Previously, Compaq has manufactured all of its boards and computers in the US.

### FOREIGN GROUPS LIKELY TO SEEK FRENCH ALLIANCES

## CGCT carries FFr 500m tag

BY PAUL BETTS IN PARIS

THE FRENCH Government yesterday set a price of FFr 500m (\$83m) for Compagnie Generale de Constructions Telephoniques (CGCT), the state public telephone equipment maker, to be sold as part of the conservative administration's ambitious privatisation programme.

Bids for CGCT will have to be made before March 2 and the Government is expected to take another month before announcing a decision on its choice of candidate to take over control of the troubled telecommunications group.

The main candidates for CGCT include AT&T, the US telecommunications group, and its European partner Philips. Siemens of West Germany, Ericsson of Sweden, and the Canadian telecommunications group Northern Telecom.

For the past two years, these major international telecommunications

group have been battling to gain access to the French public telephone exchange market by taking over control of CGCT, the former French subsidiary of ITT which was nationalised in 1982. CGCT currently controls about 16 per cent of the French public switch market.

Although under the French Government's privatisation rules no foreign investor can initially acquire more than 20 per cent of a state company, the international group selected for CGCT is expected to take over management control of the French telecommunications equipment maker.

Moreover, the winner in the CGCT competition will also become the second source of public switch equipment to the Direction Generale De Telecommunications (DGT), the French telecommunications authority.

The first source of the DGT is Alcatel, the CGE-controlled telecommunications group which recently absorbed assets of ITT.

The international telecommunications concerns now bidding for CGCT are expected to seek alliances with French banking or industrial groups to gain control of the company without breaching the privatisation foreign ownership regulations.

Among French groups which could be interested in taking part in a consortium to control CGCT are Matra, the defence and electronics group which has already acquired CGCT's private telecommunications business, and Jeumont-Schneider, the telecommunications subsidiary of France's private Schneider group. However, international bidder could also form a controlling consortium for CGCT with a group of French financial institutions.

The price of FFr 500m for CGCT falls in the range expected by the industry. After losing FFr 200m on sales of FFr 2.76bn in 1985, CGCT is expected to show losses also of about FFr 200m last year.

However, after the restructuring of the company and the sale of its private telecommunications business to Matra, the company's remaining public telecommunications activities are reported to be in the black. However, the key interest of CGCT for foreign telecommunications groups is the access the French company will give them to the French public telecommunications market.

A&T and Siemens, backed by their respective governments, have been lobbying intensively to boost their chances to gain control of CGCT. However, Ericsson and Northern Telecom are both regarded as strong outsiders.

### Arsenal bids \$3bn for Viacom

BY OUR NEW YORK STAFF

NATIONAL AMUSEMENTS, a closely held theatre chain group, yesterday returned to the battle for control of Viacom International, the US broadcasting and cable TV group which has been the subject of repeated takeover rumours in recent months. It revealed that it had offered to buy the company for nearly \$3bn.

Arsenal Holdings, a unit of National Amusements, disclosed in a filing with the US Securities & Exchange Commission (SEC) that it had offered to acquire Viacom for \$44.75 in cash and preferred stock. Arsenal, which already owns 18.6 per cent of Viacom, said that its offer reflected a significant increase over the price offered by Viacom management, which announced a

\$2.9bn plan to take the company private last October. The latter had offered to pay \$27 a share in cash and a fraction of an exchangeable preferred stock valued at \$7 and 20 per cent of the new company.

The shares of Viacom jumped by 5% to \$43 1/4 in early trading yesterday.

National Amusements said that its offer for Viacom gave public shareholders a "much more valuable equity participation in a financially sounder company" than under the Viacom offer. Unlike Viacom's management, National Amusements would not rely on "junk bond" financing.

It intended to finance the offer with \$400m of cash and Viacom common stock and \$2.5bn of bank

finance provided by a group of banks led by Bank of America.

Meanwhile, shares of Heritage Communications jumped by 3% to \$32 following the news that its management team planned to take the company private in a \$32-a-share deal valuing the company at \$835m.

Heritage is one of the few remaining publicly-held cable TV companies and has been rumoured as a possible takeover stock for a predator wanting to enter the fast-growing US cable TV business. The Heritage management team is being helped in its plans by Telecommunications, the biggest US cable TV operator. The offer for Heritage consists of \$26 a share in cash and 50 a share of Telecommunications Class A common stock.

### Perstorp sales lifted by acquisition

BY SARA WEBB, STOCKHOLM CORRESPONDENT

PERSTORP, the Swedish specialty chemicals and plastics group, reported profits (after financial items) of SKr 151m (\$22m) for the first four months of its fiscal year, an increase of 21 per cent on the corresponding period last year.

Involved sales for the four months rose 11 per cent to SKr 1,402bn compared with SKr 1,267bn a year ago, with increased invoicing in all of the business areas except Perstorp Components, where sales

were flat.

The acquisition of the French company La Bataille has helped to boost sales at Perstorp's Chemicals division, which produces binders for the mechanical engineering industry, while sales at Perstorp Biotech have been partly helped by the acquisition of the Dutch company Lamac.

Perstorp Electronics recently signed a preliminary agreement to acquire LTIS, a French manufacturer of industrial-grade laminates with annual sales of about SKr 30m.

Perstorp hopes to strengthen its market position in France and the UK as a result. LTIS manufactures laminates for the electronics industry, and Perstorp says the acquisition would provide its electronics division with new technology in mass lamination used in the production of computer circuit boards.

### MODERN-DAY DEBT BRINGS FRONTIER HISTORY TO A CLOSE

## Hudson's Bay to sell 170 remote stores

BY BERNARD SIMON IN TORONTO

HUDSON'S BAY CO, the venerable Canadian retail and real estate group, is to sever itself from an important part of North American history by selling 170 stores in remote native and resource communities throughout Canada.

Hudson's Bay earlier announced plans to dispose of its London and

Toronto-based for sales businesses as part of a four-pronged strategy to reduce debt. The company has raised C\$350m (\$261m) in new common and preferred equity in the past year, tightened control over capital spending, and is exploring new ways to maximise trading profits from existing businesses.

Hudson's Bay, which is controlled by the Thomson family, best known for its international publishing interests, posted operating profits of C\$106.4m in the nine months to last September 30. But interest charges of more than C\$200m pushed the company into a net loss of C\$88.2m. The group said yesterday that the

decision to sell the Northern Stores division was taken "with great reluctance. There was a feeling that this was a major part of the company's heritage." It said, however, that - despite their historical importance - the stores now account for only about 5 per cent of the group's total assets.

### Owens-Illinois profits dip modestly

By Our New York Staff

OWENS-ILLINOIS, the US glass container maker, which is reviewing a management buyout offer, has reported a modest downturn in profits for the three months to December 31, mainly because of reduced gains from divestitures and the adverse impact of tax reform.

Net earnings slipped to \$35.1m, or 58 cents a share, on a primary basis, from \$41.31m, or 69 cents, a year earlier. Revenues edged up to \$905.9m from \$891.3m. Repeal of the investment tax credit reduced earnings by about 10 cents a share in the latest period.

Net profits for the full year were a record \$179.2m, or \$2.96, against \$158.1m, or \$2.61. Revenues were flat at \$3,849m against \$3,870m. The 1986 earnings include net gains of \$31.9m from sale of assets and net restructuring costs of \$36.2m.

A change in pension accounting rules also boosted 1986 profits.

The Ohio-based company, which also has interests in paper-based packaging products, timber, health care and financial services, has agreed to discuss a \$80-a-share buyout proposed by Kohlberg Kravis Roberts, a Wall Street firm specialising in such transactions.

All these Bonds have been sold. This announcement appears as a matter of record only.

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## INTERNATIONAL COMPANIES AND FINANCE

### Ernault-Toyoda to expand in Europe

By Nick Garnett in London

ERNAULT-TOYODA, the French machine tool company saved from collapse by Toyota of Japan two years ago, said that it intended mounting a challenge in the UK and West German markets, starting this year.

The company, formerly Ernault-Somua, in which Toyota now has a 50 per cent share, manufactures machine tooling under Toyota licence and lathes of Ernault design. Mr Jean-Paul Pons, president of Ernault-Toyoda, said that the company, based at Cholet, near Nantes, intended raising exports from 20 per cent of sales last year to 40 per cent within the next few years as output continues to build up at its two French factories. More than \$21m has been spent on new buildings and production equipment.

The company in which supervision of production and finance is essentially in the hands of Japanese managers, has the capacity to produce 240 lathes and 185 machining centres a year, although these figures could be raised by a quarter by outsourcing more components.

If the company hits its targets, the European machine tool market will become increasingly overcrowded. Yamazaki has built a new machine tool factory in Worcester, England, which is due to come on stream in three months time.

It will be capable of producing 750 to 1,200 lathes and machining centres a year.

Mr Pons, who is also chairman of the French association of machine tool builders, said competition would intensify and that some Eu-

ropean producers would not survive.

At the moment, Ernault-Toyoda is operating at about 60 per cent capacity producing 12 lathes and nine machining centres a month.

It had sales of FFr 150m (\$23m) in 1985 and FFr 240m last year. This was well below the target of FFr 300m. Mr Pons blamed this shortfall on a downturn in French domestic demand for machine tools and delays in installing almost completely new production equipment and Toyota-style manufacturing systems.

The company says its target is for sales this year of FFr 400m - the figure needed for the company to break even - but Mr Pons conceded that this would probably be impossible to achieve.

He said a "reasonable forecast" was to achieve a turnover of FFr 500m by 1988-89 and to sell 80 to 100 machines in the UK during the next three years. Ernault sold just one lathe and one machining centre in the UK last year.

There is now a possibility that Toyota, the machine tool manufacturing arm of the Toyota motor vehicle group, will increase its half share in the company.

Mr Pons said Ernault-Toyoda might need some recapitalisation this year. It would then be a question of whether the other two partners, Schneider, the French electrical company, and Sofirind, a French government agency, which each hold 25 per cent would be prepared to put more money into the business.

### Kvaerner suffers profits decline

By Kevin Dons, Nordic  
Correspondent, in Stockholm

KVAERNER, the Norwegian engineering group, suffered a fall of 35 per cent in profits (before extraordinary items) last year to Nkr 245m (\$38.3m) from Nkr 382m in 1985.

Kvaerner is locked in a corporate power struggle with Elkem, the Norwegian metals group, which is seeking to acquire a stake of at least one third in the engineering concern.

It faces expulsion from the Oslo stock exchange for its use of a company bylaw, which prevented Elkem and two other major shareholders Vesta, the insurance group, and Bergesen, the shipping group, from taking several seats on the Kvaerner board at a shareholders' meeting last month.

Kvaerner is awaiting the outcome of an appeal against the stock exchange ruling to the Department of Trade.

Elkem, which holds about 30.9 per cent of the Kvaerner equity, is itself in a weakened financial state, however. Earlier this week it announced a loss for last year of Nkr 288m.

Kvaerner said that its financial performance last year was weaker than expected chiefly because of

### Comau poised to buy machine tool group

BY OUR FINANCIAL STAFF

COMAU, the manufacturing systems division of Fiat, the Italian vehicle and industrial group, is close to purchasing one of the machine tool companies that failed last year during the collapse of the big restructuring plan for the French machine tool industry.

The Italian company is expected to announce soon that it has taken a controlling interest in Graffenstaden Machines-Outils, a Strasbourg-based maker of machining centres and lathes.

The purchase would also include Hure, a milling machine making subsidiary in the Graffenstaden group. This would appear to be a move into new products for Comau, which specialises in designing and manufacturing complete production and materials handling systems rather than stand-alone machines.

Fiat declined to comment on the negotiations or the reasons for purchasing Graffenstaden, which is 51 per cent owned by Intelautomatisme, one of the groups formed under the French Government's Machine Tool Plan of the early 1980s but which subsequently foundered. Intelautomatisme is now owned by Indosuez, a French merchant bank.

The other 49 per cent of Graffenstaden is owned by Cit-Alcatel, a subsidiary of Compagnie Générale d'Electricité, the electrical group.

The French Government attempted to enter negotiations with a number of West German and Japanese companies as well as Comau for the purchase of Graffenstaden, which is thought to employ 350. Comau employs 4400 and had sales of FFr 400m (\$66m) last year.

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### North American quarterly results Page 39

#### American Can Company

(As successor to  
American Can International Corporation)  
4½% Convertible Guaranteed Debentures  
Due 1988

In connection with the Indenture dated as of May 15, 1983 among American Can International Corporation, American Can Company (the "Company"), as Guarantor, and United States Trust Company of New York, as Trustee, as supplemented by the First Supplemental Indenture dated as of September 20, 1987 among American Can International Corporation, the Company, as Guarantor, and United States Trust Company of New York, as Trustee, notice is hereby given that the Board of Directors of the Company has declared a two-for-one stock split in the form of a 100% stock dividend to be distributed on the common stock of the Company, par value \$1.00 per share, payable on March 13, 1987 to holders of record on February 13, 1987.

American Can Company  
February 3, 1987

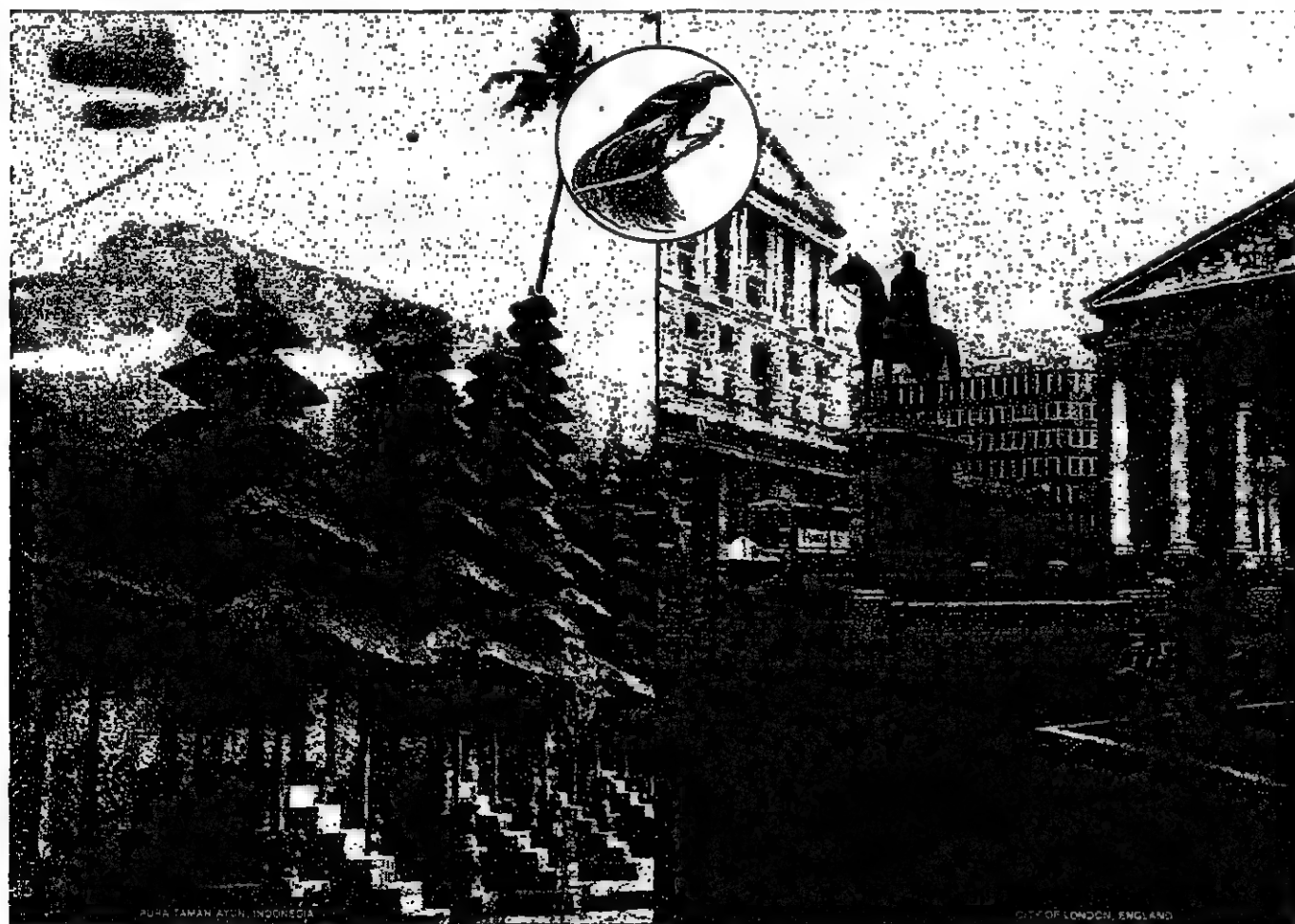
losses of about Nkr 65m that it had suffered on the building of a rail ferry for Sweden.

The contract was the last shipbuilding order to be completed at the group's Moss yard, where shipbuilding operations have now been closed.

Kvaerner group turnover was unchanged at Nkr 5.4bn, but new orders booked last year fell back to only Nkr 4.5bn compared with Nkr 5.02bn in 1985.

Last year's profits include Nkr 65m gains booked from the sale of ships, and the group's shipping division made a small profit last year compared with a loss in 1985 of about Nkr 75m.

Profits before tax and allocations totalled Nkr 260m last year compared with Nkr 363m a year earlier.



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## SPAREBANKEN NORD

### Eurocommercial Paper Programme

has been increased to

**U.S. \$150,000,000**

Dealers

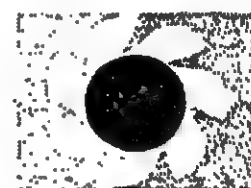
Merrill Lynch Capital Markets  
Citicorp Investment Bank Limited  
County NatWest Capital Markets  
Manufacturers Hanover Limited

January, 1987

*These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.*

NEW ISSUE

30th January, 1987



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Mitsui Finance International Limited

New Japan Securities Europe Limited

The Nikko Securities Co., (Europe) Ltd.

Salomon Brothers International Limited

J. Henry Schroder Wagg & Co. Limited

Société Générale

Taiyo Kobe International Limited

Union Bank of Switzerland (Securities) Limited

Wako International (Europe) Limited

S. G. Warburg Securities

Yamaichi International (Europe) Limited



## INTERNATIONAL CAPITAL MARKETS and COMPANIES

## Optimistic tone evaporates as dollar starts to slip

BY CLARE PEARSON

LAST FRIDAY'S optimistic tone in the Eurobond market was dissipated yesterday as the dollar went into reverse and dealers started to worry about the response to this week's US Treasury auctions. In thin trading, prices of Eurodollar fixed rate issues eased by about 1/2 percentage point.

Investors continue to be wary of buying new Eurodollar bonds, but the fairly low issuing volume so far this year seems to have created room for the best quality issuers to launch successful deals.

So Warburg Securities was able to find a receptive market yesterday for its \$250m six-year issue for the EEC, even though it struck dealers at first as tightly priced. The 7 1/2 per cent bond, with a 101 issue price, initially yielded 4 1/2 basis points over US Treasury bonds.

In spite of this, the deal was quoted as high as 99 1/2 in early trading. During the day its yield margin narrowed as the market since other houses had traded the paper in the grey market for some days ahead of its announcement.

The deal was quoted at around 106 yesterday, against a par issue price. Dealers report that investors are keen on Japanese companies like Toyota which are orientated towards the domestic market, given

## INTERNATIONAL BONDS

that consumer spending in Japan is expected to expand. Nikko Securities' \$70m issue for Keihin Electric Railway, which has interests in stores and real estate as well as railways, was also received well yesterday. It was quoted at 99 1/2 bid.

The third issue was a \$70m deal for Toyota Tsusho Kaisha, the motor trader, led by Nomura International. It was quoted at 99 1/2 bid.

Prices in the D-Mark market firmed during the day, gaining about 1/2 point against the longer maturity issues, though trading volume was low. The Bundesbank will announce details of a new federal bond tomorrow.

CSFB-Effektenbank led a DM 150m convertible bond for Elders UK, the British arm of the Australian brewery and financial group. The deal followed a three-tranche financing for Elders in the sterling, dollar, and Swiss franc markets last month. It was accompanied yesterday by a \$100m issue led by CSFB-Nederland.

Elders' DM 150m 10-year issue was priced at par and an indicated 10 1/2 per cent coupon. The conversion premium is expected to be 10 per cent, in line with the earlier issues. It is callable after five years at 101, and after six years at par. Investors have the chance to put the bond after six years at a price to give a 5 1/2 per cent yield.

The issue, which will have its final terms fixed by February 8, was quoted at around 99 1/2 bid yesterday.

The \$100m 10-year offering has a 2 1/2 per cent indicated

coupon. It can be put after six years at a price to provide a 8 1/2 per cent yield, and it is callable after six years at 106, and then at declining premiums.

CSFB-Effektenbank led two other issues in the D-Mark market yesterday. The first was a DM 100m 10-year 6 per cent issue for Westland-Utrecht Hypotheekbank, the Dutch mortgage bank.

Even though the issue had the guarantee of double-A rated Nationale-Nederlanden, Westland-Utrecht's parent company, dealers said it was proving hard to sell yesterday. It was quoted at 98 1/2 bid, against a 10 1/2 issue price.

CSFB-Effektenbank also led an issue of 100,000 two-year warrants on their own for De Nederlandsche Bank. They are exercisable into a 6 per cent seven-year bond at par, and are priced at DM 19 each. They were quoted at around issue price.

In Switzerland, prices were unchanged in lower volume. Dealers said there was little retail demand.

Credit Suisse led a SFR 75m five-year 5 per cent bond, priced at par, for Brierley Investments, the New Zealand company with diversified interests. Dealers expected the deal to meet a good reception; a previous convertible for Brierley got firm demand and investors were expected to find the 5 per cent coupon attractive.

S. G. Warburg Solicit led a SFR 150m 10-year bond with equity warrants exercisable for five years, for Wormald Industries, the Australian manufacturer of fire protection systems. The issue has an indicated 5 1/2 per cent and warrants are expected to be exercisable at a premium of 20 per cent over the share price when terms are finalised. The borrower has the right to reduce the size of the issue.

Haig Simonian on a US investment bank's ambitions in West Germany

## Salomon creates Frankfurt springboard

AS THE champagne corks popped at one of Frankfurt's top hotels yesterday, many of the West German guests invited to celebrate Salomon Brothers' official arrival were quietly assessing the implications.

Not that the US investment bank has been short of publicity in the six months it has already been in the Frankfurt market. Salomon made quite a splash last July, when it lured Mr Peter Coym, formerly head of investment banking at Commerzbank, for a salary said by some to be around DM 1m (\$545,000).

Salomon's rationale for setting up in Frankfurt was clear. Its increasing emphasis on non-dollar markets in recent years has conveniently coincided with the Bundesbank's policy of gradual deregulation. It is little wonder that Frankfurt lies not far behind London and Tokyo in Salomon's international ambitions.

"We felt it would be almost impossible to get together the quality of German nationals we wanted either in London or New York," says a senior Salomon executive, explaining the reason for coming to Frankfurt. "The company has been looking for a place to concentrate on selling securities to a wide range of international investors, one of Frankfurt's chief tasks will be to develop purely West German distribution for DM-denominated securities."

Salomon has had a Frankfurt office in Deutsche Bank's former headquarters, for about six months. However, the company did not receive its banking licence until November — much

to develop purely West German distribution for DM-denominated securities. Salomon has had a Frankfurt office in Deutsche Bank's former headquarters, for about six months. However, the company did not receive its banking licence until November — much

highlight the two areas where Salomon intends to make its impact in West Germany. Mr Coym will focus on capital markets, while Mr Beelitz will take charge of the potentially more difficult corporate finance side.

Some bankers argue that there is a more active secondary market for many D-Mark securities in London than in Frankfurt — and have even coined the word "Londonfrank" to describe them.

The US investment bank itself has decisively turned its back on this view. It is moving its entire Euro-DM trading activity to Frankfurt. Four traders will be in place at the outset for Euro and domestic DM bond business, with room for more to follow if necessary.

Salomon intends to be active in both the primary and secondary markets for Euro D-Mark and domestic bonds, offering a full syndication, sales and trading service, according to Mr Coym.

However, he recognises the entrenched position of the West German banks in the domestic bond market. "Our target is to lead manage issues but the only way for us to do that is by bringing and developing new ideas and structures to the market," he says.

Salomon has already made its mark in that respect through a number of innovative

repackaging deals for bonds issued by a variety of West German federal borrowers. Cracking corporate finance could be a great deal more difficult. West German banks are renowned for their close relationships with client companies, and it is hard to see an

'It would be almost impossible to get together the quality of German nationals we wanted either in London or New York'

'Our target is to lead manage issues but the only way is by bringing and developing new ideas and structures'

the same time as it joined the Frankfurt stock exchange.

Since then, things have moved fast. But both Mr Coym and Mr Frank Beelitz, his co-managing director, who joined Salomon after a long spell at Morgan Guaranty in Frankfurt, are unapologetic about the firm's delay in making its public debut. Apart from obtaining the necessary regulatory approvals, the company has painstakingly been recruiting backroom staff. "You can lose more money through a bad back office than from trading," notes Mr Coym.

Mr Coym and Mr Beelitz

outsider easily breaking in. "It would certainly be a mistake for us to try to be all things to all people," admits Mr Beelitz. But he points to Salomon's advisory role to Bertelsmann, the West German media group, in last December's successful US\$450m bid for Doubleday, the US publishing house, as an example of what it can do.

Salomon is not targeting any specific group of companies for its corporate finance services. Yet its expertise is bound to be of greater interest to West Germany's largest corporations — notably those planning US acquisitions — and to the West German subsidiaries of US

multinationals, than to the thousands of small and medium sized companies.

Mergers and acquisitions is one area where Salomon may have a strong advantage over the domestic competition. "M & A was never a banking activity in this country, there was never any need," says Mr Beelitz. The West German banks are busily trying to improve their expertise but it is a slow process, thanks to the "old boy network" in German corporate finance is already breaking down — probably to the foreigners' advantage.

The trend for more investment banks to set up in Frankfurt will meanwhile continue, Mr Coym predicts. The Swiss are already strongly represented, notably through CSFB-Effektenbank. On the US side, Morgan Stanley, Shearson Lehman and Goldman Sachs are all said to be thinking about taking the plunge.

The foreign inflow is bound to accelerate when the Bonn Government fulfils its election pledge of removing the stock exchange turnover tax which has been the principal reason why some secondary market trading in D-Mark securities has been eschewed off to London. In the meantime, Salomon, and a small number of other houses, will have the foreign investment banking field pretty much to themselves.

## Lloyds awarded facility mandate by Sonatrach

BY OUR EUROPEAN EDITOR

SONATRACH, the Algerian state oil and gas corporation, has awarded Lloyds Merchant Bank to arrange a \$75m bankers' acceptance facility to finance its exports.

Although the terms are not strictly comparable with those of loans for Algerian borrowers last year, they represent a continuation of Algeria's acceptance of progressive financial and economic conditions in the face of slower economic growth.

The revolving facility, guaranteed by Banque Nationale d'Algérie, is for five years, shorter than other recent loans. Sonatrach will pay a 6 1/2 per cent acceptance commission on three-month drawings, and 7 1/2 per cent for drawings up to six months.

Banks will receive a 25 basis point commitment commission on undrawn balances. They will also be paid front-end fees ranging from \$7.5 basis points for commitments of \$7.5m.

Another Algerian borrower, Credit Populaire, is also sounding out the market through Long-Term Credit Bank of Japan for a loan believed to be of the order of \$100m on terms which will also be more generous to banks than those of last year.

Banque Nationale d'Algérie's \$250m deal, mandated last November, was for eight years at a below London inter-bank offered rate.

## Little change at Falconbridge

BY BERNARD SIMON IN TORONTO

FALCONBRIDGE, the Canadian metals producer, overcame weak nickel and cobalt prices in the fourth quarter of last year to report earnings almost unchanged from a year earlier.

Thanks to the contribution of Kidd Creek Mines, the northern Ontario zinc, gold, and silver producer, which Falconbridge bought early last year, fourth

quarter earnings dropped only slightly to C\$8.1m or 10 cents a share, from C\$7.6m (US\$5.67m), or 19 cents a share.

Earnings for 1986 as a whole were C\$15.5m, or 27 cents, down from C\$35.5m, or 95 cents, in 1985. These figures exclude extraordinary gains from the sale of interests in three

gold mines and a copper producer, which raised last year's net income to C\$70.3m, or C\$1.21.

Annual revenues rose to C\$1.1bn from C\$890m. With nickel shipments lower, the increase in revenues was due entirely to Kidd Creek's contribution.

## Hofmann quits Merrill to join Shearson

By Alexander Nicoll, Euromarkets Editor

MR HANSGEORG HOFMANN is to leave Merrill Lynch, where he has been managing director in charge of the primary Eurobond area, and will join Shearson Lehman Brothers International as an executive director.

Mr Hofmann, 43, will be co-head, with Mr Peter Luthy, of Shearson's primary capital markets group and a member of its London management committee. Late last year, Merrill Lynch established a new five-man executive committee designed to allow fast decisions on key transactions in which the firm is involved. It omitted Mr Hofmann, but included two of his colleagues on the bond side,

## Calberson teams up with Purolator

CALBERSON, the leading

French transport and delivery group, has teamed up with Purolator, the Canadian express messenger service group, for some time to penetrate the French market.

Mr Didier Allavenne, head of Calberson's domestic network, said yesterday that the deal with Purolator would also help the French company fend off growing international competition.

Calberson, the leading French transport and delivery group, has teamed up with Purolator, the Canadian express messenger service group, for some time to penetrate the French market.

Calberson had sales of about FF 6bn (\$932m) last year.

All of these Securities have been sold. This announcement appears as a matter of record only.

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YAMAICHI INTERNATIONAL (EUROPE)

February 1987

## FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on February 2

US DOLLAR	Issued	Rate	Yield	Change	Yield
AS Euronote 7 1/2 %	1986	100 1/2	7 1/2	+0.01	7 1/2
AS Euronote 7 1/2 %	1986	100 1/2	7 1/2	+0.01	7 1/2
Australia 11 1/2 %	1986	100 1/2	11 1/2	+0.01	11 1/2
Canada 9 1/2 %	1986	100 1/2	9 1/2	+0.01	9 1/2
Denmark 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
France 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
Germany 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
Italy 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
Japan 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
Netherlands 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
Spain 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
Sweden 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
Switzerland 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
UK 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
US 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
West Germany 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
Yield					
AS Euronote 7 1/2 %	1986	100 1/2	7 1/2	+0.01	7 1/2
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US 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
West Germany 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2

STRAIGHT	Issued	Rate	Yield	Change	Yield
AS Euronote 7 1/2 %	1986	100 1/2	7 1/2	+0.01	7 1/2
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Australia 11 1/2 %	1986	100 1/2	11 1/2	+0.01	11 1/2
Canada 9 1/2 %	1986	100 1/2	9 1/2	+0.01	9 1/2
Denmark 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
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Yield					
AS Euronote 7 1/2 %	1986	100 1/2	7 1/2	+0.01	7 1/2
AS Euronote 7 1/2 %	1986	100 1/2	7 1/2	+0.01	7 1/2
Australia 11 1/2 %	1986	100 1/2	11 1/2	+0.01	11 1/2
Canada 9 1/2 %	1986	100 1/2	9 1/2	+0.01	9 1/2
Denmark 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
France 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
Germany 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
Italy 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
Japan 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
Netherlands 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
Spain 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
Sweden 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
Switzerland 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
UK 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
US 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2
West Germany 10 1/2 %	1986	100 1/2	10 1/2	+0.01	10 1/2

The prices over the past week were supplied by: Kreditbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank; Grozenträle und Bank der Österreichischen Sparkassen; Bank of Tokyo International; Algemeine Bank Nederland NV; Pilsener, Hedding and Pilsener; Credit Suisse/Swiss Credit Bank; Bank of London International; Chase Manhattan; Citicorp International Bank; Citicorp International Bank; Citicorp International Bank; Citicorp International Bank



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**NON-WOVENS**  
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1. Introduction  
2. Fibres  
3. One On and Jovan  
4. Company Profiles  
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## INTERNATIONAL COMPANIES and FINANCE

Stefan Wagstyl profiles an expanding Australian stock exchange

### Perth thrives on a boom in gold

THE STOCK MARKET is second only to the America's Cup Races as a topic for conversation in Perth, the Western Australian capital.

Investors swap tips in the street and in the bars. At lunchtime many crowd into the small visitors' gallery at the stock exchange to watch the action on the floor.

Mr Quentin Amos, a stockbroker, has no doubt why they do it. "This is certainly the place in the world to trade stock. This is still a market where you can triple your money in a day."

It caused little surprise in Perth when a study by the Australian Associated Stock Exchanges found the proportion of people owning shares in Western Australia was higher than in any other state—13.5 per cent against an average of 9.2 per cent. The survey commented on the "boldness" of Western Australian investors, saying that it was probably no coincidence that the state had both the highest incidence of share ownership and of shareholders investing for short-term profit.

With Australian stock market indices close to record levels, investors have needed no encouragement, particularly in lacking local companies in the expanding Western Australian economy. Mr Rod Bennett, publicity manager at Perth Stock Exchange, says: "Everyone knows someone who's made money." Perth entrepreneurs Mr Alan Bond and Mr Robert Holmes & Court are household names and there's no shortage of companies looking for investors' money.

There were 144 notations in the year to June 1986—double the 1984-85 total. This year's figure is expected to be even higher. To cope with the rush of young companies, Perth was the first of the country's stock exchanges to start a second market, modelled on London's unlisted securities market.

High technology issues have been popular, among them Mr Ralph Sarich's Sarich Technology Trust, which is developing a new form of combustion engine. Capitalised at more than A\$900m (US\$535m), it has the highest rating of any of Australia's top 150 companies in terms of value put on its assets, which are mostly in development projects.

But the real excitement at the Perth Stock Exchange is in mining, especially in gold. Mr Bennett says: "First we had an iron ore boom, then we had a nickel boom, now we have a gold boom." Fuelled by the rise in gold price in (depreciating) Australian dollars from about A\$350 an oz in January 1985 to above A\$600 now, the Australian gold index has tripled over the same period. It won an extra boost late

wanting to deal in mining shares for every one in industrial stocks. Investors are after the rapid profits which can be made in shares like Great Central Mines, which was floated last August at 21 cents, and has risen to 220 cents partly on the strength of Western Mining, Australia's biggest gold producer, announcing plans to expand the Lady Bountiful mine. There have also been some spectacular failures. Central

Investigations are currently looking most closely at the high-technology sector. The case which has attracted particular attention is that of Sadler Computer Research, a software house where an A\$8m asset—a software package—was revalued by a new board of directors at A\$1. The Corporate Affairs Department is also investigating DTX Australia, an electronics company which allegedly made extravagant claims for its products in order to support its stock market flotation.

Mining companies and their backers are not free of scrutiny. The Corporate Affairs Department is prosecuting Wheeler Grace and Pierucci, an investment broker, on 375 counts of allegedly infringing prospectus law in promoting Carbon Gold Unit Trust.

The National Companies and Securities Commission warned last year against the dangers of overvaluing intangible assets, including mine leases.

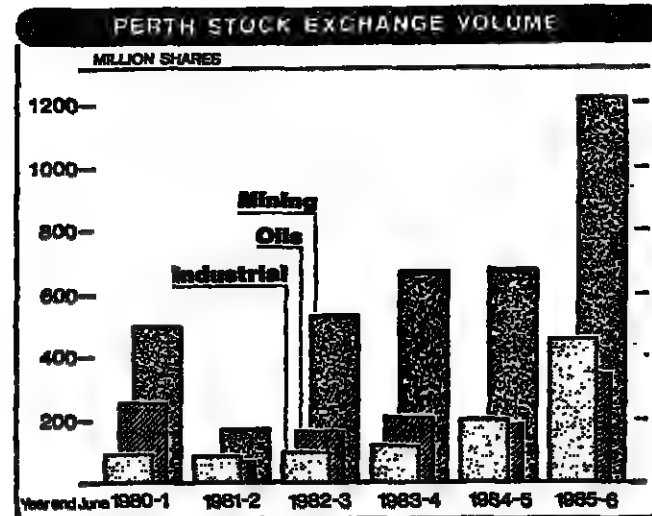
Mr Ray Porter, senior partner in stockbroker Porter and Partners, argues that a young fast-growing economy is bound to generate companies with short track records or with none. It is essential that these groups can raise capital, he says.

In any market, there are blue-chip and casino-type stocks. In Perth there are more casino-type stocks.

Mr Porter admits that brokers in the more established financial centres of Sydney and Melbourne see Perth as an exchange with "cowboys"—a financier who break or bend the regulations. But he says that has not stopped eastern state stockbrokers from buying into seven out of Perth's 11 member firms.

Mr Porter argues that more rules do not necessarily improve investor security. "I do not mean to be cavalier. But the only way to stop bank robberies is to close the banks. It's the same with the stock exchange."

At the end of the day investors will only complain if they are hurt. For as long as the market in Australian gold stocks remains buoyant, there are likely to be few criticisms. But if there is a severe fall, fortunes will be lost in Perth. Then people will start looking at the fine print of documents and regulations. Mr Amos says: "In a bull market investors are greedy. They stop being greedy when it is too late."



last year when the Federal Government decided against scrapping gold companies' exemption from tax. Although gold shares are traded in all six of Australia's loosely-linked exchanges, many of the companies are based in Perth and nominate Perth as the home exchange. Gold exploration companies account for about half of Perth's new issues.

Perth and the other Australian stock exchanges plan to amalgamate later this year. The move will allow settlements to be centralised and pave the way for the eventual introduction of a computerised on-screen trading alongside traditional floor trading.

Substantial companies have been created—Australian Consolidated Minerals has seen its shares go from 40 cents in 1985 to above 600 cents, giving it a market capitalisation of nearly A\$500m.

Western Australians trade these stocks daily. Mr Amos says he gets 20 calls from clients

Kalgoorlie Gold Mine shares soared last year to a high of 88 cents after achieving every explorer's ambition of securing a mine. But the development was unprofitable and the shares have since fallen to 35 cents. There are dozens of companies with shares languishing below the issue price, often groups which have run out of funds after spending exploration budgets and finding nothing commercially viable.

Regulators have their work cut out keeping track of the market. Officials at the state government's Corporate Affairs Department say the law has been greatly tightened up since fraudulent promoters were caught misleading investors during the nickel boom in the early 1970s, in one case resorting to the oldest trick in the "salting" samples with metal to improve drilling results. This time around, say the officials, there have been no stock exchange scandals involving mining companies.

### Net falls 74% at Kuwait Petroleum

THE state-owned Kuwait Petroleum Corporation (KPC) suffered a 74.3 per cent net profit fall in the year to June to KD 54m (\$194.4m) amid what was described as "all-out chaos" in the oil market. Reuters reports from Kuwait.

A KPC announcement said the results would have been worse but for a 34 per cent rise in crude output. Sheikh Ali al-Khalifa al-Sabah, the Oil Minister, has said Kuwait, which can pump up to 4m barrels per day (b/d), produced 1.86m b/d in 1985-86.

This excluded 87,400 b/d from the Neutral Zone bordering Saudi Arabia. Sheikh Ali, in a statement to be included in the annual report, was quoted as referring to "the all-out chaos that prevailed in the oil market."

He said the Kuwaiti-owned network in Europe, with oil refining and retail distribution outlets in Scandinavia, Italy, and the Benelux countries, had helped to alleviate the impact of the market downturn.

### Carlton Paper increases earnings and turnover

BY JIM JONES in JOHANNESBURG

CARLTON PAPER, the 38 per cent-owned South African subsidiary of Kimberly-Clark of the US, reversed its profit decline in the second half of 1986. The directors expect the trading improvement to continue but warn that economic recovery is not yet fully entrenched.

Turnover increased by 11.7 per cent to R188.6m (\$68.8m) from R177.9m and pre-tax profits were 7 per cent higher at R15.8m against R14.6m.

Mr Keith Partridge, managing director, says the rate of increase of dollar-based raw materials prices abated and a sustained marketing effort resulted in higher sales volumes.

Earnings per share increased to 53.3 cents from 53 cents and the dividend has been maintained at 18 cents.

Chubb Holdings, the quoted South African security subsidiary of Racal-Chubb, increased turnover and profits in the half-year to October 10.

Turnover rose to R42.2m from R37.5m and pre-tax profits were R2.17m against R1.5m. South African crime figures are on a sharply rising trend, particularly burglaries and thefts of cars. Short-term insurers have increased premium rates and insisted that clients take additional precautions to protect their belongings.

Chubb's first-half earnings per share rose to 20.6 cents from 16.5 cents and the interim dividend has been lifted to 7 cents, from last year's interim 6 cents. Per share earnings totalled 40.8 cents in the last financial year and a total dividend of 17 cents was paid.

### NZ bank buys into Kupe

EURO-NATIONAL, an Auckland-based merchant bank and investment group, yesterday announced the purchase of 47.1 per cent of Kupe, a listed investment company, for NZ\$209m (\$US\$113.1m). Reuters reports from Wellington.

It bought a 27.1 per cent stake from McConnell Dowell and another 20 per cent from Mr Graeme Hamilton, Kupe managing director. The purchase involves NZ\$180.4m in cash and the issue of Euro-National shares to Mr Hamilton. The sale is subject to Commerce Commission and shareholder approval. Mr Hamilton will head Kupe and join the Euro-National board. Both companies' property activities will be conducted within the Kupe group and Euro-National will sell all its property investments to Kupe for an unspecified consideration.

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## Merrill Lynch Capital Markets

January 1987

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"Eat ye of the fruit thereof when it fructeth, and pay the due thereof upon the harvest day"  
Truthful is Allah the Magnificent

### DAR AL MAAL AL ISLAMI TRUST Profit Distribution

It was decided by the Fifth Annual General Meeting of owners and bearers of Equity Participation Certificates which took place in Sharjah, United Arab Emirates on 10 Rabi Al Thani 1407 AH corresponding to December 11th, 1986 to distribute one dollar and a half or its equivalent in local currency as profit on each unit for the financial year ending 23 Shawwal 1406 AH corresponding to June 30th, 1986. This represents a 50 per cent increase over the dividend distributed last year.

In order to collect the profit shareholders are invited to contact or call at any company, office or bank mentioned below from the date of publication of this announcement. To this end, they are kindly requested to bring along the Equity Participation Certificates and a document proving identity. Shareholders who did not withdraw their profit for the previous financial are urged to do so on this occasion. Allah is the purveyor of success.

**Geneva**  
Dar Al-Maal Al-Islami (DMI) SA  
Shareholders Relations Department  
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CH-1216 Cointrin, Geneva  
Phone: (022) 98 40 40  
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**London**  
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## UK COMPANY NEWS

## Thomson T-Line to acquire Taddale

BY CLAY HARRIS

Thomson T-Line has agreed to pay £11.1m for Taddale Investments, another industrial holding company.

The offer would end the mutual independence of T-Line and Taddale, which yesterday reported a pre-tax profit of \$825,666 (\$364,807 loss) on sales of £11.2m (\$9.3m) for the six months to October.

T-Line said that the proposed acquisition was part of its effort to expand its asset and trading base. It was especially interested in Taddale's electronics, cable distribution and specialty chemicals operations but less likely to retain the oil drilling equipment division.

Mr Roy Simmons, Taddale managing director, is to become chief operating officer of the combined group. Taddale's founder, Mr Michael Carlton, resigned in May 1985 when the company

reported a pre-tax loss of £2.1m and announced a plan to shift from "speculative dealings in assets" to concentrate on its profitable trading subsidiaries.

Taddale took extraordinary charges of £4.6m in the two years to last April. Mr Carlton was killed in an air crash in southern Africa in August.

Among the legacies of his era is a £1.78m claim by Banque Hypothecaire du Canton de Genève over certain securities transactions. T-Line said that it had taken account of the claim in determining the terms of its offer.

T-Line's one-for-33 offer values Taddale shares at 14.2p. This compares with a range of 8p to 14p over the past year in very thin trading through Harvard Securities and the 46.7p average price for which Mr Carlton sold 1.5m shares in 1984-85. T-Line fell 13p to 45.5p.

## Unilock £3.7m purchase

BY JANICE WARMAN

Unilock, the office partitioning specialist which gained a full listing in July 1986, has acquired HCP, perimeter heating systems manufacturer, for an initial consideration of £3.7m.

HCP, which was established in 1972, expects to produce pre-tax profits for the year to March 31 in excess of £500,000 before exceptional items of £60,000. In the year ending March 1986 it showed profits of £438,000 on a turnover of £3.8m.

HCP was one of the market leaders in the computer-aided design of perimeter heating

systems and the manufacture of steel casings and cladding for building interiors. Mr David Brooke, chief executive of HCP, said yesterday.

He confirmed that Unilock was actively looking for further acquisitions in related products and markets.

Of the initial consideration £370,000 will be in cash and the rest in shares. Unilock may have to pay up to a further £700,000 in pre-tax profits to March 31 to exceed £520,000.

Unilock reported pre-tax profits of \$902,000 on turnover of £10.7m for the six months to September 27, 1986.

## Fothergill urged to respond

Courtaulds, the international textiles, chemicals and industrial products group, yesterday called on Fothergill & Fothergill, the Lancashire-based manufacturer of advanced and electrical insulation materials, to state its response to the improved offer.

Fothergill deferred an expected response to Courtaulds' offer on Friday because it said it had received an alternative approach.

Courtaulds yesterday sent its improved offer to Fothergill shareholders.

Courtaulds has increased its

cash or loan note terms from 235p to 300p. The share offer is nine-for-11. With Courtaulds up 17p to 88p, that values each Fothergill share at 33.4p. Yesterday, they closed up 16p at 31.8p.

Mr Sipko Huisman, a Courtaulds director, said yesterday that by considering an alternative approach, Fothergill could no longer argue that independence remained an option.

"The options for Fothergill are now closing. They will either have to disclose an alternative, substantially bigger offer or recommend our offer," he said.

## Goode Durrant has 10.5% of Perry

Goode Durrant & Murray, the trade finance, banking and property group with a strong Australian links, announced yesterday that it had built up a 10.5 per cent stake in Perry Group, the Ford and GM main dealer.

Impala Pacific Corporation, an investment holding subsidiary of Mr Brian Judge's Ariadne Australia Group, took a major stake in Goode Durrant late last year and announced plans for new UK acquisitions.

Another Australian company, Mr Ron Brierley's IEL, has held a stake of about 10 per cent in Perry for some time. It was not clear last night whether he had sold this on to Goode Durrant, which purchased most of its stake on January 26.

However, Perry said last night it had received no notification of a stake sale by Mr Brierley, which suggested he was still a shareholder.

Shares in Perry closed at 185p last night, up 15p on the day, giving the group a market capitalisation of some £34m.

## Wickes £30m facility

Wickes, USM-quoted DIY retailer, has announced a £30m eight-year unsecured facility arranged via a syndicate of international banks headed by S.G. Warburg.

Mr Henry A. Sweetbaum, chairman and chief executive, said: "The substantial growth planned for our UK store network encouraged us to develop this financing concept."

He added that "the funding will facilitate our ambitious UK store opening programme, enabling us to maintain a planned level of freehold sites without burdening the group's balance sheet with property related debt."

Wickes achieved taxable profits of £2.7m on sales of £66.8m in the six months to July 26 1986.

A joint venture company, Berners Street Properties, is to be formed by Wickes and the banking syndicate through which Wickes will be entitled to substantially all of the growth in the value of the properties owned by Berners. Berners is to be financed by a combination of bank debt and subordinated loans. The company will purchase edge-of-town retailing sites, to be leased on commercial terms.

## DTI investigates Bremner holders

BY DAVID THOMAS

MR PAUL CHANNON, Trade and Industry Secretary, yesterday announced the appointment of inspectors to investigate the shareholders of Bremner, the controversial property group headed by Mr James Rowland-Jones.

Bremner is having a bitter row with City and Westminster Financial, the corporate finance house with which it once planned to merge. Mr Andrew Greystoke, who heads CWF, will attempt to replace Mr Rowland-Jones at a shareholders' meeting on March 17.

The inspectors, who are expected to be named soon, have been appointed under section 442 of the 1985 Companies Act. This is concerned with determining the true identity of people who are financially interested in the

success or failure of a company, or who can control or influence its policy.

Mr Rowland-Jones, who asked for the investigation, said yesterday he was concerned with the movement of large blocks of shares "which have been happening near enough since I became chairman."

He added that he was not sure where the investigation would lead.

However, Mr Greystoke strongly denied that the subject of the investigation would relate in any way to CWF. He said that CWF's stake in Bremner, which was about 27 per cent, had all been declared in an open way. Mr Greystoke said he, therefore, welcomed the DTI investigation, which would not have any impact on his actions as the shareholders' meeting.

## Cowan de Groot up 13%

Cowan de Groot, the toy manufacturer and electrical wholesaler, which last year diversified into the communication and services field, reported taxable profits up 13 per cent from £773,000 to £875,000 as sales increased by 30 per cent to £21.2m in the six months to October 31 1986.

The interim dividend is unchanged at 1.25p.

Tax took £230,000 (£211,000), while there was also an extraordinary charge of £115,000 against £117,000 last time. Earnings per 10p share fell to 2.5p from 3.6p.

Despite the profits growth, Mr Derrick Cowan, chairman, identified problems in all of the Group's trading activities during the period.

The planned expansion and development of professional examination tuition concern Foulks Lynch, acquired in June of last year, required the engagement of additional lecturing staff and premises which reduced short-term profitability. The full benefit of these de-

velopments were expected to show through in 1987, he said. Mr Cowan added that the communication and services fields offered particular growth opportunities for the future and that various companies were currently being actively appraised.

The toys and giftware division had a difficult six months with both turnover and margins under pressure. Margins were also under pressure at the Irish electrical and hardware operations, where despite a substantial upturn in turnover, profits suffered due to the economic climate.

Expressing caution, Mr Cowan stated that traditionally a high proportion of profits were generated in the first half of the financial year, and that the second half would be affected by rationalisation and other costs.

The group's policy of expanding into the growing communications and services fields led the directors to believe that the quality of future earnings would be enhanced, he said.

## BOARD MEETINGS

TODAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
Interview—Anglo United, D. Y. Davies, Howard Sherrington, West Trade Suppliers, Property Security Investment Trust, Finance, Phoenix Property and Finance, United.	Welsh Industrial Invest. Yst. Feb 4	Foreign & Colonial Invest. Yst. Feb 19	Great North. Feb 24	Securicor Feb 10
FUTURE DATES				
Interview—Balfour (C. H.) Feb 9				
				Time Tree Television Feb 12

This announcement appears as a matter of record only.

February, 1987



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## STOCK EXCHANGE BUSINESS IN 1986

## Turnover surges 72%

BY TERRY KYLAND

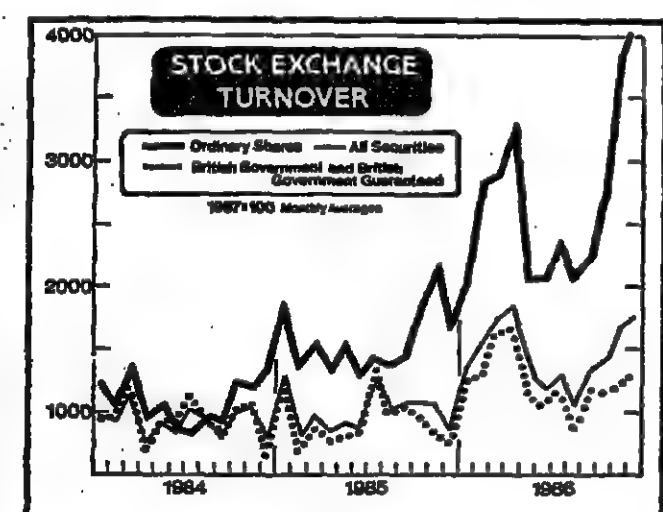
STOCK EXCHANGE turnover continued to expand in 1986, when equity trading was boosted by a record level of takeover bids, and the gilt-edged sector by the huge expansion in the number of market-makers as Big Bang restructured the markets for Government debt. Total equity turnover surged 72 per cent to £181.2bn.

Takeover bids worth around £11.5bn topped all totals for previous years, with the exception of the inflation-adjusted figures for 1988. Several of the major bids have, however, fallen under a cloud since the Department of Trade began its investigation of the successful, but bitterly contested, acquisition by Guinness of Distillers.

Among the more outstanding bids were the £2.6bn takeover by Hanson Trust of Imperial Group, followed by the sale of Courage, Imperial's brewing subsidiary, to Elders IXL for £1.4bn. But many of the star bids were for overseas, usually US targets, which were only partially reflected in trading on London stock markets.

In this category was Prudential's £420m bid for Jackson National Life. All-Lloyds' £420m bid for a majority stake in Hiram Walker drinks business in Canada and ICI's £400m purchase of Glidden, the US paint firm, from Hanson Trust.

The strength of takeover business, which carried through into the final weeks of 1986, masks changes in trading trends as a result of Big Bang, at the end of October. Much of the institutional business in both



gilt-edged and equities now goes straight to the market-makers and is traded in the form of net of commission deals. However, the number of bargains in equities also jumped last year to 7.6m, a gain of 35 per cent. The average bargain size, at £23,700, also continued to rise, adding £4,700 from the average for the previous year.

In the gilt-edged market, where the number of market-makers jumped from, effectively three, to a theoretical 27 on Big Bang Day, October 24, turnover increased by 33 per cent to £349.48bn last year.

Government bonds were active throughout the year as London responded to the swings in major world currencies and global investors searched out

the prospects for world interest rates. A fall of 2.8 per cent to 735.545 in the number of bargains in gilt-edged securities indicated the growing presence of the multinational funds in the UK markets.

Total turnover, both gilts and equities, gained 4.6 per cent to £370.31bn in the year. The pace slackened in December when total turnover of £56.95bn showed only a minor rise of 2.7 per cent. Equity trading, showing a rise of only 6.3 per cent to £22.51bn, reflected worries over the spreading insider trading scandals which damped down speculative activity.

Gilt turnover, up 9.3 per cent to £30.57bn, remained buoyant as a stronger pound raised hopes for base rate cuts.

## DECEMBER 1986

Category	Value £m	% of total	No. of bargains	% of total	Average daily value £m	Average bargain size £000s	Average daily bargains
<b>BRITISH FUNDS</b>							
Short dated (5 years or less to run)	10,544.4	18.7	28,687	2.9	367.4	515.9	985
Others (over 5 years)	19,914.7	35.8	29,967	2.9	663.3	664.6	1,427
Total	30,459.1	53.7	58,654	4.9	1,030.7	680.5	2,412
<b>IRISH FUNDS</b>							
Short dated (5 years or less to run)	115.8	0.2	632	0.1	5.5	183.2	30
Others (over 5 years)	381.2	0.4	945	0.1	18.2	403.4	45
UK LOCAL AUTHORITY	29.6	0.1	521	0.1	1.4	56.8	25
OVERSEAS GOVERNMENT	2,201.5	3.9	7,627	0.7	104.8	288.6	363
OTHER FIXED INTEREST	844.1	1.5	25,957	2.5	48.2	32.5	1,236
ORDINARY SHARES	22,812.8	40.8	948,536	91.6	1,086.3	24.1	45,168
TOTAL	56,954.1	100.0	1,034,872	100.0	2,712.7	55.0	49,719

\* Average of all securities.

## General Appointments

## Director-General



Following the resignation of Mr. Alasdair Milne, the Board of Governors now invites applications for the post of Director-General of the BBC.

Suitably qualified candidates should address their applications to The Chairman, Mr. Marmaduke Hussey, at the British Broadcasting Corporation, Broadcasting House, London W1A 1AA, to arrive no later than 10th February 1987.

Envelopes should be marked "Confidential (Ref. D.G.)"

## FINANCIAL CONSULTANT

The London Fixed Income Unit of a major international investment group requires a CPTC registered Financial Consultant experienced in financial futures/options sales/trading, aged 25-30, able to act as advisor to major accounts, including preparation of marketing material, within Scandinavia, Central Europe and Far East, represent the firm's financial products and develop new business. Must have sound grasp of economics related to above-mentioned areas, ability to rapidly analyse fiscal, monetary and political news and relate it to financial markets and clients' portfolios. Computer literacy and the application of financial models is essential. Applicants should have four to five years' relevant experience and be educated to MBA standard. Salary negotiable.

Write Box 40400, Financial Times

10 Cannon Street, London EC4P 4BY

## Company Notices

## PACIFIC GROWTH FUND

Special dividend payment  
a Capital Variable  
2 Boulevard Royal, Luxembourg  
R.C. Luxembourg B-20002

## DIVIDEND ANNOUNCEMENT

The Pacific Growth Fund will pay a dividend of US\$0.25 on February 4, 1987 to registered shareholders at the close of business January 20, 1987 and shares will be traded ex-dividend after January 20, 1987. The dividend is payable to holders of bearer shares against presentation of coupon No. 1 to

BANQUE INTERNATIONALE

A LUXEMBOURG

2 Boulevard Royal, Luxembourg

The Board of Directors

## CHEMICAL NEW YORK CORP.

US\$200,000,000 FLOATING RATE

SENIOR NOTES FEB 1989

In accordance with the provisions of the Trust Agreement entered into on January 1, 1987, the interest payable on the above notes for the period from January 1, 1987 to January 1, 1988 will be US\$48.75 per US\$100,000 Note.

S.E.L. HOLDINGS p.l.c.

AGENTS: CHEMICAL BANK

NOTICE IS HEREBY GIVEN that the Transfer Books and Registers of Members will be CLOSED on 24th February, 1987.

By Order of the Board

A. P. SMITH

Secretary

## Contracts and Tenders

**ALGERIE - الجزائر**  
MINISTERIE DE L'ENERGIE  
ET DES INDUSTRIES CHIMIQUES  
ET PETROCHIMIQUES  
ENTREPRISE NATIONALE DE RAFFINAGE  
ET DE DISTRIBUTION DES PRODUITS PETROLIERS  
"NAFTAL"

## NOTICE OF INTERNATIONAL SALE

The National Company "NAFTAL" is offering for sale in 1987 20,000 tonnes of used Lubricating Oils.

This quantity is deliverable from the port of Algiers in cargoes of 2,000 tonnes and from the Port d'ORAN in cargoes of 1,500 tonnes.

Companies interested in this Notice of Sale should send applications to:

NAFTAL DIRECTION MONOPOLIE ET IMPORTATIONS

ROUTE DES DUNES

CHERAGA (TIPAZA)

ALGERIA

Telephone: 81 09 69.

Telex: 63 127 or 63 128 or 63 137 or 63 138

Applications should be sent to the above address within forty-five (45) days of the date of publication of this notice.

In addition to the above address, the envelope should be marked as follows:

"AVIS DE VENTE HUILES USAGES"

over page



## UK COMPANY NEWS

## Hill Samuel hits out at FAI chief

BY NICK BUNKER, INSURANCE CORRESPONDENT

Hill Samuel, the banking and financial services group, has said it is determined not to give any role in its management to Mr Larry Adler, the Australian financier.

Mr Adler is chairman of FAI Insurance, the Sydney-based general insurer which is now Hill Samuel's biggest shareholder. It emerged last night that FAI had built up a 14 per cent stake in the group since it began buying Hill Samuel's shares late last year, when they were priced at 380p. They closed yesterday unchanged at 515p.

Hill Samuel said it wished to make it clear that FAI was acting "without consultation or agreement."

Mr Christopher Castleman,

Hill Samuel's chief executive, said he had not arranged any meeting with Mr Adler, who was in London yesterday announcing FAI's interim results.

Mr Adler refused to say whether he was planning to increase his stake. He said it had been acquired as "a long-term investment" and the UK's economy offered bright prospects. "There is no present intention of selling," he said.

He pointed out that it would be "commercially unethical" however to turn down any especially attractive offer and added that FAI had not asked for a seat on Hill Samuel's board, but a director from a company with a record like FAI's would benefit any board.

He said FAI had "a degree of confidence" in the group's management.

Hill Samuel's statement came yesterday morning in a strongly-worded letter to shareholders.

Sir Robert Clark, group chairman, said it had written last month to Mr Adler telling him that the board believed it was not in the group's interest for any shareholder to have more than 10 per cent.

"A shareholding in excess of that level could raise in the minds of clients and employees questions of involvement or influence by such a shareholder."

Sir Robert said FAI had taken its stake well in excess of 10

per cent "notwithstanding our clearly expressed views." Hill Samuel's board was firmly resolved that FAI "should have no influence or involvement in the management of Hill Samuel or its businesses."

Mr Adler had earlier told reporters that he saw no reason why he should listen to arguments that he should not take his holding above 10 per cent.

FAI's holding in Hill Samuel is politically sensitive because the new UK Banking Bill will give the Bank of England powers of veto if a shareholder wants to take more than 14.9 per cent of an authorised bank.

But Mr Adler said yesterday that there was "no such animal as the Banking Bill" because it had not yet become law.

## Pineapple in £7m Premium Pen deal

By Janice Warren

Pineapple Group, the USM-traded dance studio and marketing group, has announced the acquisition of Premium Pen, a promotional products company, for £7.4m.

Shares in Pineapple Group, which went into loss in 1985, were suspended at 72p at the company's request on New Year's Eve, pending the announcement.

Premium Pen, whose pre-tax profits were £1.2m for the year to December 1986, is Pineapple's second acquisition in this sector. In November, it announced the £5m purchase of Golden Key Promotions.

Mr Peter Bain, deputy chairman, said the purchase would strengthen Pineapple's presence in the marketing services sector. He confirmed the company's aim of establishing itself in several markets.

"We are reshaping the group and I feel very happy about this deal. It will give a substantial boost to our earnings per share, greater value in the market and will enable us to look at a wider spectrum of acquisitions."

"This will give Pineapple a chance to reorganise itself out of the spotlight. I see it making a significant contribution over the next two to three years."

Premium Pen was established 13 years ago by brothers Martin and Dennis Reuben, who will remain as full-time executive directors. The company will raise £4m through placing of 5.5m ordinary shares at 75p each. The balance of £2.4m will be raised by issuing 3.4m 7 per cent convertible, redeemable preference shares of £1 each.

Pineapple reduced its losses to £28,000 by July 31, 1986. It expects to be back in profit by the end of this financial year.

## Yule Catto extends

Yule Catto said it owned or had received acceptances for 5.18 per cent of Barrow Hibernia and extended its offer. It was also announced that the bid would not be referred to the Monopolies and Mergers Commission.

## RTZ lifts its stake in Lasmo to 29.9%

BY MAX WILKINSON, RESOURCES EDITOR

Rio Tinto Zinc, the mining, industrial and energy group, yesterday signalled its continuing interest in Lasmo by increasing its stake from 23.2 per cent to 29.9 per cent.

This is the maximum stake it can hold in Lasmo under a two-year agreement signed in December 1985, RTZ, which bought the shares in the market, described the move as a consolidation which showed that it valued its stake in Lasmo.

However, the purchase immediately revived speculation that RTZ's medium aim was to take full control of Lasmo and with a strong interest in Enterprise Oil.

Under the 1985 agreement, RTZ exchanged its 29.9 per cent stake in Enterprise for 25.2 per cent in Lasmo and undertook not to increase its stake

in Lasmo beyond 30 per cent for two years.

RTZ had been prevented by the Government from taking full control of Enterprise when it was floated off from British Gas in the summer of 1984.

Yesterday RTZ was taking a cautious line emphasising the uncertainties as to what would happen to the oil price between now and December when it would be able to make a full takeover if it wanted.

In December, Enterprise Oil announced that it was taking over Imperial Chemical Industries' oil and gas interests in a deal worth £115m. In return ICI took 25 per cent of the enlarged Enterprise group.

Yesterday, Lasmo's share price rose 3p to 186p after the news.

See Lex

## Inspectorate buying Nationwide Leisure

By David Thomas

Inspectorate E&E Group, the UK subsidiary of Inspectorate International, the Swiss quality control group, has made a recommended offer for Nationwide Leisure, the holiday, caravan park and retail company, which values Nationwide at £8.3m.

The offer is 77p for every Nationwide ordinary. Yesterday Nationwide closed down 4p at 78p.

The boards of Nationwide and Inspectorate said that although the offer was at around the level of the current market price, it represented full value for the company and was a significant premium to the average price ruling recently.

The directors of Nationwide and some other shareholders have accepted the offer in respect of 4,251,756 ordinary, representing 39.7 per cent of the ordinary capital. A further 190,000 ordinary (1.8 per cent) is held by an associate of Inspectorate.

Nationwide shareholders will keep any dividend declared for the year ended October 31, but Nationwide will not be recommending a net dividend for that year of more than 2.5p per ordinary.

Lazard Brothers will make an offer on behalf of Inspectorate for each of Nationwide's issued 5.75 per cent cumulative preference stocks when the document containing the ordinary offer is sent to shareholders.

Inspectorate said it had made the offer because Nationwide would extend its existing services businesses.

## Textures Jersey

Textures Jersey, maker of limited fabrics, suffered a fall in pre-tax profits from £533,000 to £316,000 for the six months to October 31, 1986, despite a higher turnover of £9.37m, against £8.72m.

Last year's profit included a £100,000 exceptional receipt in respect of the Fire at Corby in September, 1983.

The company said the business had incurred significant increases in costs, which it had not been possible to offset over an increased volume of production and thus profitability had been adversely affected.

After tax of £111,000 (£113,000) earnings per 10p share fell to 11.1p (11.3p). The interim dividend is maintained at 2.25p net.

## Insurer 16% ahead in opening six months

FAI Insurance, one of Australia's biggest general insurers, has reported record net after-tax profits of A\$70.1m (£30.5m) for the six months to December 31, 1986.

The group said the figure represented an increase of 16.37 per cent on the previous comparable period, after deduction

of a greatly increased tax expense of \$17.1m.

The directors said they would declare an interim dividend of 30 per cent at 5 cents per share, the 11th consecutive increase in interim dividends.

Earnings per share for the second half of last year rose 5.2 per cent to 63.68 cents. Total

group assets grew by 95 per cent to \$1.46bn and shareholders' funds rose from \$208.4m to \$344.7m.

Mr Larry Adler said sales of FAI's 49 member companies reached \$42.1m, compared with \$39m.

Premium income at \$261.1m, was nearly double the figure for

the second half of 1985. Underwriting profit increased by more than 400 per cent to \$7.4m.

The outstanding claims provision grew by \$116.7m, while the unexpired risk provision grew by £100.6m, bringing combined insurance provisions to \$515m.

## Securiguard has strong second half

BY ALICE RAWSTHORN

Securiguard, the USM quoted security services and contract cleaning group, yesterday announced a 40 per cent rise in pre-tax profit to \$1m, after a strong second half which benefited from the reorganisation of its security division.

The company joined the USM in 1983 but encountered problems the following year after the acquisition of Consolidated Safeguards, another security services concern, and sustained a fall in profits in the 1984-85 financial year. With the 1985-86 results, however, Securiguard has almost returned to its 1983-84 profits of \$1.05m.

Securiguard ran into problems with the acquisition of Consolidated Safeguards, because it tried to integrate the business too quickly with its existing activities. It has now resolved these problems, however, and the security division has been

restructured into four regional sub-divisions. The company has recovered turnover lost during its difficulties and has returned to growth again.

Contract cleaning activities also expanded in the course of the year, although the competitive climate within the market has depressed margins. The company has won a new contract from the National Health Service, which will be worth \$5m over three years. It is now considering the expansion of its cleaning activities outside its base in London and the South.

In the year to October 26, Securiguard's turnover rose to \$23.06m (£19.86m). The cost of sales increased to \$15.58m (£13.29m) and administrative expenses to \$6.8m (£5.78m) leaving trading profits of \$1.15m (£786,000).

Interest payable increased to \$135,000 (£71,000). The costs arising from the reorganisation of the security division produced an exceptional debit of \$44,000 and the loss from the sale of the Cash In Transit division is expressed as an extraordinary debit of \$83,000 (£38,000).

Earnings per share rose to 8.1p (5.4p). The board intends to pay a final dividend of 5.5p (3.7p).

## comment

The City, so often so ruthless with one promising growth stocks when they fall upon hard times, has been uncharacteristically kindly in its treatment of Securiguard. When the latter joined the USM the security and contract cleaning services were at the time the most fashionable. Disenchantment

with their prospects impeded the share price's progress immediately after the flotation, and the Consolidated Safeguards debacle drove them down sharply little more than a year later. Just as the security division has fully recovered, so too has the Securiguard share price which, rising by 1p to 146p yesterday, is now approaching its previous peak. With the security division now firmly established, Securiguard is keen to tackle contract cleaning, where the recent spate of mergers may alleviate pressure on margins, and there is lots of scope for regional expansion. All three start-ups have progressed well and are now in a position to make a more substantial contribution.

The City expects profits of \$1.5m, leaving the shares on a more manageable prospective p/e of 10.5. And Securiguard, claiming to have learnt from past mistakes, plans to pursue its aim of establishing a broadly based industrial services group by returning to the acquisition trail in the second half, beginning with catering.

## Humes allegations again denied

BY PHILIP COGGAN

THE THREE City institutions named in Australia in connection with alleged share price manipulation during the APA Holdings bid for Humes have all issued statements denying any impropriety in their share dealings.

Last week, a lawyer for Humes, a Melbourne building materials manufacturer, said that the group would be starting legal proceedings against Alexander's Laing & Cruickshank, John Govett, and the Merchant Navy Officers' Pension Fund, and against Mr Gerry Carter, the head of APA, alleging that they all artificially maintained the price of APA shares.

Unity-APA, the investment banking unit of APA Holdings and Unity Corporation, first launched its bid for Humes in

July. The bid was apparently defeated on December 1 when Humes found a "white knight" in Smorgons Steel but heavy trading in Humes shares on the following day, at a price well above the market level, blocked the Smorgons deal.

The National Companies and Securities Commission, Australia's investment watchdog, has declared the December 2 purchases "unacceptable" and if its declaration is sustained the shares will be lodged with the commission and then sold.

Most attention centres on Alexander's Laing and Cruickshank, the broking firm owned by Mercantile House, which acquired an 8 per cent stake in Humes on December 2. Mercantile House has said that "there was a misunderstanding about the size of the order and

the price at which it should be executed" and that it will challenge the commission's declaration as a "matter of urgency."

The Merchant Navy Officers' Pension Fund confirmed last week that it had purchased 736,000 ordinary and 1.57m convertible preference shares in APA between June and September 1986. It also held 40,500 shares, or 0.92 per cent of Humes. The fund said the shares were purchased for normal investment reasons and it had no agreements or understandings with other parties.

John Govett said on Friday that Govett Oriental Investment Trust, which it provides with discretionary investment management, purchased 2.75m convertible preference shares and 256,800 ordinary shares in APA between June 12 and November 18. No other clients held shares in either APA or Humes, said John Govett, nor did the company or its clients enter into any agreement to maintain APA's share price.

Mr Geoffrey Musson, director of investments at John Govett, said yesterday: "We made a perfectly straightforward long-term investment in a good company. Even after Guinness, I think institutions are still permitted to buy shares."

## Aran looks to better times

Aran Energy, the Irish exploration company, looking for cash in on its Alba field discovery, has not escaped the setback in the world-wide oil industry.

For the nine months ended September 30, 1986 its pre-tax profit fell from £11.7m to £275,000 (£265,000), with the after tax balance showing a loss of £225,000 (profit £597,000).

But the directors said the company was particularly well placed to take advantage of the present recovery.

Effectively, the company incurred a loss of £1438,000 (£423,000) in the third quarter, compared with a profit of £1.43m. The acquisition of Petrolux was expected to have a major impact in the second half of the year, the directors estimated at the six months' stage.

The acquisition of Petrolux put Aran into the North Sea

and gave it a 4 per cent interest in the Alba field. The could be the fifth largest oil field in the North Sea, based on the report that it holds 700m recoverable barrels.

The directors said the future of the Alba field would have a major bearing on the value of the company, and might enable it to share in the profits of substantial petroleum production on a scale very much larger than from any of its discoveries to date.

A number of other licences of interests of Petrolux in the Southern Gas Basin of the North Sea were disposed of for an aggregate £2.6m. These reflected a broad policy of, in general, concentrating on oil rather than longer term gas interests in the light of the company's expectations as to relative oil and gas price and market directions.

Elsewhere, the directors said

Aran had seen successful exploration and appraisal results, and reserves were greatly increased. This year the company would be involved in a series of significant exploration and appraisal programmes.

During 1986 revenues from the Forties field (0.25 per cent interest) and from the Kinsale Head Royalty were sharply reduced, reflecting the drop in oil prices and lower gas intake.

The recovery in oil prices towards the end of the year rose from agreement reached by Opec. In the company's opinion Opec will maintain a balance to support a price of around \$18 per barrel in the short term with a consistent trend thereafter.

"Such a prospect for oil prices points to a satisfactory return from the exploration and production activities of the company."

## SHARE STAKES

Changes in company share stakes announced over the past week include:

Acetas and Hutcheson—on January 27, chairman, Ian Hutcheson, purchased 10,000 ordinary shares at 260p each.

A. G. Barr—Director and trustee G. M. MacLaren acquired 39,000 ordinary shares and now holds 42,000 (0.7 per cent).

Micromedex—After recent share sales the following directors' holdings: Dr R. J. Harding 3,444,000 beneficial (non-beneficial 276,973) and M. J.

Jackson 3,344,000 beneficial (non-beneficial 276,973 shares).

American Business Systems—The following directors shareholdings are: F. McPeak 16,700,614 (4.5 per cent), D. Doyle 14,385,714 (3.9 per cent), C. H. B. Mills 100,000 (0.03 per cent) and R. J. P. Morton 10,000 shares (0.003 per cent).

Cablecast—Director F. I. Cakobresdis disposed of 10,000 "A" ordinary non-voting shares.

Holt Lloyd International—On January 26 director F. J. G. Pert sold 46,946 shares.

Freestrich Holdings—P. A. Levinson exercised an option to acquire 800,000 ordinary at 25p per share and by further consideration on the sale of Palan Entertainment Corporation acquired 1.8m shares. His holding now represents 24.03 per cent.

I.G. INDEX

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January 1987



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Please contact Per Hagen or Bjørn Anderson in Norway. Tel: (472) 31 90 50. Telex: 19968 ABC SE. Union Bank of Norway is known domestically as ABC bank.

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## GRANVILLE

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High Low	Company	Price	Change	Gross Yield	P/E
122 118	Ass. Brit. Ind. CULS	152	+1	7.3	8.3
156 121	Ass. Brit. Ind. CULS	156	+1	10.0	6.4
40 28	Armstrong and Rhodes	38	—	4.2	11.7
78 64	BBS Design Group (USM)	78	—	1.4	1.8
216 188	Bardon Hill Group	216	—	4.8	2.1
100 65	Bny Technologies	100	—	4.3	11.9
138 75	CCl Group Ordinary	130	—	2.9	2.2
107 86	CCl Group 11pc Conv. P.	98	—	15.7	15.9
270 116	Carborundum Ordinary	270	—	8.1	13.0
93 90	Carborundum 7.5pc P.	93	—	10.7	11.5
125 75	George Blair	90ad	—	3.8	4.2
113 57	Ind. Precision Castings	113	—	6.7	6.9
178 125	Ind. Precision Castings	125	—	16.3	14.8
124 101	Jackson Group	123	—	6.1	5.0
377 280	James Burrough	345	+8	17.0	4.8
100 88	James Burrough 5pc P.	90	—	12.9	14.3
1035 342	Multihouse NV (AmstSE)	715	+5	—	37.5
280 280	Racord Ridgway Ordinary	391	—	—	6.3
100 83	Racord Ridgway 10pc P.	83	—	14.1	17.0
51 67	Robert Jenkins	51	—	—	4.0
49 30	Scrutons	49	+1	—	—
144 67	Torday and Carlisle	144	—	5.7	4.5
340 321	Trevlin Holdings	321	—	7.9	2.5
79 42	Unilock Holdings (SE)	78	—	2.8	3.9
120 65	Walter Alexander	120	—	5.0	4.1
200 190	W. S. Yates	195	—	17.4	8.9
88 67	West Yorks. Ind. Hosp. (USM)	88	—	5.5	5.7

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## FINANCIAL TIMES SURVEY

Tuesday February 3, 1987

## Oil Trading

Both traders and analysts have struggled as the forecasts proved wrong. Large swings in the oil price have made traders think hard before taking risks.

## Opec hangs on to control

IT IS DIFFICULT to know who has had a more taxing time over the last 15 months, the oil trader or the oil analyst.

The trader must have acquired at least a few grey hairs as the price swung from more than \$30 a barrel to less than \$20 and then back to about \$18. Meanwhile, the analyst suffered one humiliation after another as successive forecasts had to be torn up.

Indeed, one might have expected that the series of extraordinary and unexpected events of 1986 would have killed off oil price forecasting altogether. But while most oil companies have given up making definite predictions in favour of offering a range of alternative "scenarios," there remain a good few analysts and onlookers still bold enough to forecast what the price of oil will be in 12 months' time.

Such predictions reveal a want of consensus. Some say that 1987 will be far more stable and oil prices are likely to end the year higher than at the outset, after a possible setback during spring.

Others argue that price volatility has become a new fact of life and attempts to establish a stable price as high as \$18 for more than a month or two are doomed to failure.

Last year fell into two quite distinct halves divided by a U-turn in Opec policy. For the first part of the year Opec was gunning to increase its market share, members were even more than usually at odds with each other, and prices collapsed.

In August, just as the market had decided that Opec had lost control altogether, suddenly a production sharing agreement was patched together—by dint of Iran suggesting that war-damaged Iraq should be exempted from the agreement. Prices rose by about \$5 in the space of a few days.

The backing in November of Sheikh Yamani, the Saudi Oil Minister, underlined the fact that Opec policy had changed. The first aim of Saudi Arabia, at least, had become to reverse the increasingly damaging decline in the oil price rather than attempt to stretch its share of the market.

The December Opec meeting, the first to be presided over by the new stand-in minister, Mr. Hisham Nazer, was more successful in achieving the Saudi objective than almost anyone had thought likely. Not only was a new lower collective ceiling agreed upon, but members unexpectedly agreed to fixed prices, with the result that spot prices almost immediately rose to the chosen Opec level of \$18 a barrel.

Since then a period of relative calm has crept over the markets. Although the new fixed price system came into effect two days ago, it may take some months before any real clue emerges as to whether the system is holding.

So far the indications are mixed; although many customers have responded coolly to such arrangements, Opec appears to be taking a fairly tough line in enforcing the new

agreement. It is challenging the market to call its bluff.

Irrespective of whether or not the new agreement is sustained, the market, having survived 1986, will no doubt adapt accordingly. Perhaps more remarkable than the recent marathon movements in the oil price itself, has been the resilience of the market itself, scraping through almost without casualty among its players.

For a brief period in February last year things seemed about to come unstuck in the Brent market in London, when traders walked away from contracts on which they were showing large losses. For a moment it seemed that many bankruptcies and failures would follow, and the future of the informal 15-day market for Brent crude seemed doubtful.

However, within a few months things had more or less returned to normal. Few if any players failed, as the majors made a bid to save the market.

Since then the Brent market has survived without mishap three further periods of wild price volatility: the plunge to below \$9 in the summer, and two unexpected and dramatic recoveries, prompted by the August and December Opec meetings.

The recent resilience of the market in the face of such large swings indicates that traders have been keeping their risks to a bare minimum. Although eliminating risk in a market where prices can change suddenly and dramatically is not easy—there were several days last year when the price moved up or down by \$2 within

hours or even minutes—traders reacted by covering any exposed positions as quickly as possible, and then withdrawing until prices settled down.

Last year not only made traders think long and hard before taking risks, it also shook the conventional wisdom of the market, as prices crashed through one supposed "floor" after another. Crude prices could not fall below \$25 was the view in 1986.

Soon \$25 became \$20, then \$15, then \$10, and just as everyone had decided that \$5 was a real possibility, at least for a short time, the price suddenly rose soaring by 50 per cent in the space of a few days.



Hisham Nazer, the new Saudi Oil Minister, faces questions before December's Opec meeting

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to learn over the past two years, they are now being asked to unlearn: the netback contract. These deals, which tie the price paid for crude to the price the buyer would receive for his products at the refinery gate were introduced by Saudi Arabia in 1985 as a part of its plan to increase output.

However, in its efforts to re-establish fixed oil prices Saudi Arabia is now going through the tough process of weaning its customers from netbacks.

These deals turned the pattern of oil trading inside out. The risk of an adverse price movement, once the baggage of the oil refiner, was shifted to the producer. By offering such attractive selling terms, Saudi Arabia increased its oil production from about 2.2m barrels a day in the first half of 1985 to a maximum of nearly 6m barrels last summer.

To ensure a steady stream of buyers, Saudi Arabia and most other Opec members started offering discounts of up to \$1.50 a barrel.

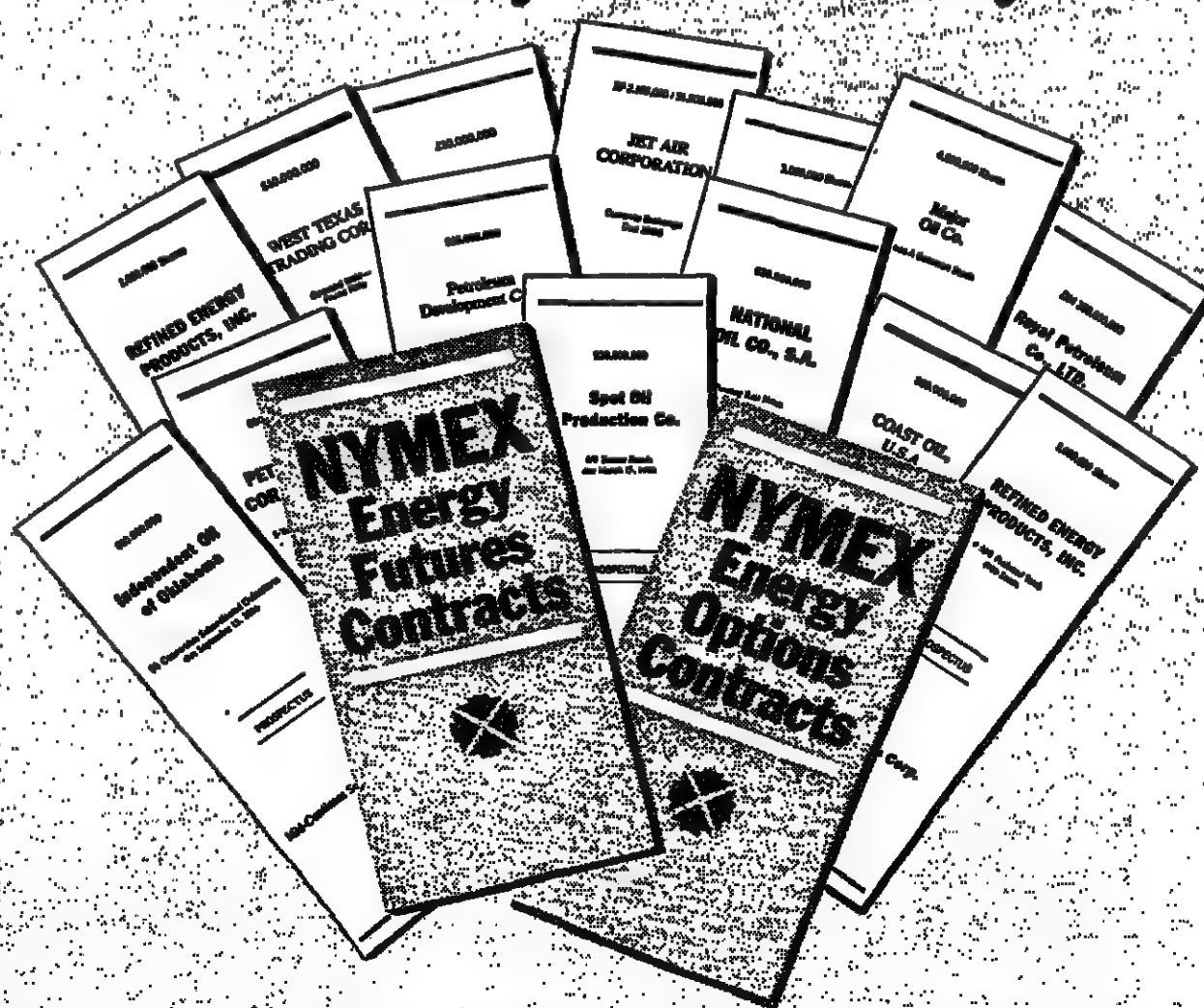
Such discounts exaggerated the already considerable attractions of netback deals to refiners. No matter how low the price they received for their products, it paid to produce a maximum capacity, as a margin was effectively guaranteed.

The result was refineries were more profitable than they had been this decade, a heavy glut of product was created, and prices fell sharply.

Now, just as traders were coming to terms with the daunting complexities of the netbacks pricing—which made it impossible to tell what any customer is actually paying for his oil because the price depends on the relative yields of his refinery, costs of refining and the size of the negotiated discount—the system is being phased out.

Whether Opec will succeed in weaning its customers from netback deals altogether is doubtful, but they are unlikely to dominate the market as they had done previously.

Lucy Kellaway

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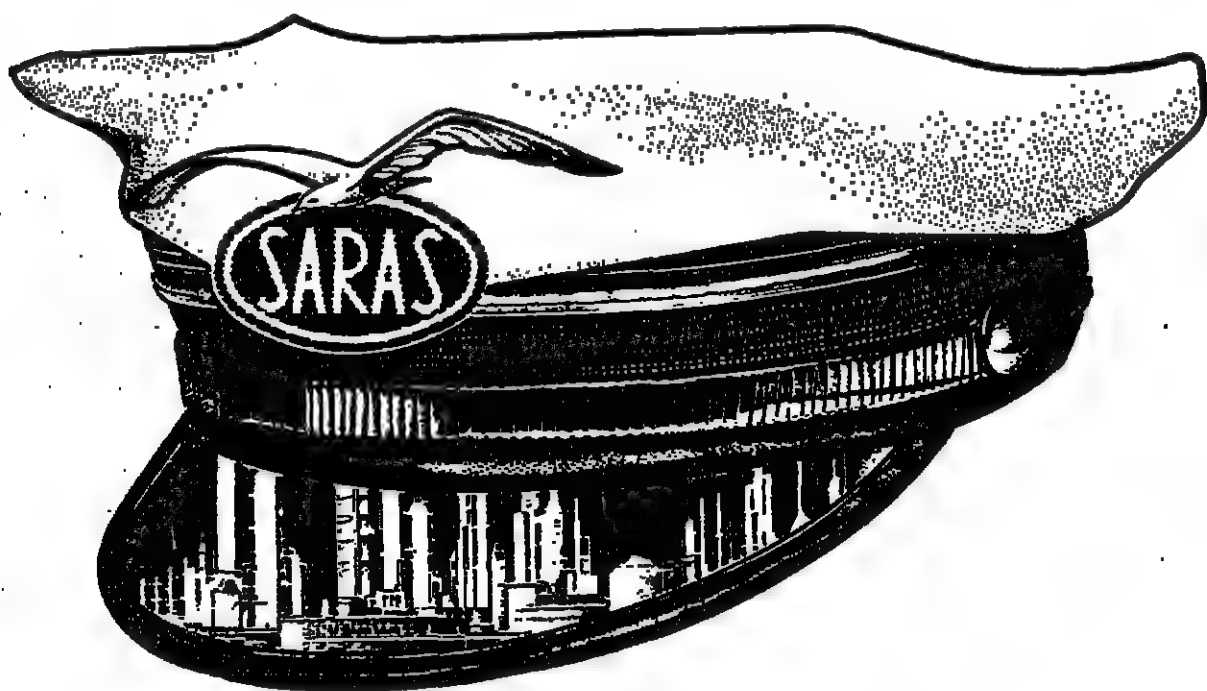
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## OIL TRADING 2

## Opec

## Control of the market is still shaky

A REMARKABLE consensus is now emerging between governments in the industrial world, the major oil companies and producing countries that \$18 per barrel is a better price for oil than \$15.

Those who would like a higher price mostly concede that it cannot be achieved for the time being. Those consuming countries which might gain immediately from a lower oil price have several reasons for welcoming the rise to \$18 in January.

First, a stronger oil price must significantly lessen the risk of a renewed debt crisis among oil producing countries such as Mexico. This is a particularly important consideration for the US, but must also weigh with countries which have no oil, particularly Japan and West Germany.

However, a stronger reason for hoping the price rise will be sustained is that, at \$18 per barrel, demand for crude in Western consuming nations will be restrained while at least some incentives for continued exploration and development will remain.

At present rates of depletion, the known US reserves will be near exhaustion in about 10 years. The UK's North Sea oil has now reached a peak and production will fall off fast over the next 15 years, so the rate of exploration and development is critically important—for the health of the offshore supplies industry, for government revenues and for the balance of payments.

In the US and the UK a price above \$20 per barrel is probably needed to give oil companies the incentive to develop the smaller and more difficult oilfields, which seem likely to provide a large part of additions to reserves in the next decade or two.

However, a price of \$18 per barrel is very much better than \$15, for two reasons. The first is the obvious fact that more projects can look marginally profitable at the higher price, particularly in view of the collapse of prices for drilling equipment and the drive for economies at every stage.

However, a subtler, though equally important, effect is to emphasise that the Organisation of Petroleum Exporting

Countries is still in rather shaky control of the oil market.

Even though the success of Opec's latest effort to push up oil prices remains in doubt, it seems at least to have convinced the oil markets that prices are unlikely to go into free fall as they did for a few giddy weeks last year, when the price of Brent crude dropped below \$9 per barrel, and \$5 was being discussed as a sober possibility.

The rise to \$18 emphasised that \$5 and probably \$10 per barrel is now a political impossibility for Saudi Arabia. Whatever the logic of its own interests, the kingdom must keep balance on a political high wire between the warring factions of Iran and Iraq against a turbulent background of argument between those countries like itself and Kuwait, which want a lowish price to improve the markets for oil, and those like Iran, Iraq and Libya, whose main imperative is for revenue now.

The decision by King Fahd to sack Sheikh Yamani, after almost a quarter of a century as Saudi Arabia's Oil Minister, signalled to the world that the forces of politics had won. The medium-term strategy associated with Sheikh Yamani's introduction of netback pricing and the drive to recover lost sales was dumped in favour of the simple imperative of getting \$18 as a price as possible—by little sacrifice of Saudi production as possible.

The initial success of the new Saudi strategy has already made a significant impact on the thinking of the oil companies.

On the other hand, the turmoil of the last year, with the succession of almost monthly Opec meetings, has in a sense charted the depths to which the oil price might fall. A consensus seems to be emerging that Opec's "pain threshold," or the political limit which must eventually force another production sharing agreement is about \$15.

So even if cheating on quotas and fixed prices means that a higher price cannot be sustained indefinitely, a lower price is unstable also.

The range of uncertainties may therefore be rather narrow, and last year, when the oil price halved from the autumn 1985 level of \$30 and

then for a short time halved again. This year the earnest hopes of the major oil companies that the oil price should stabilise, preferably at around \$18, may even contribute to the success of Opec's strategy.

The price movements of last year showed clearly that although the market cannot ultimately escape from the fundamental forces of supply and demand, psychology and sentiment have become enormously important.

Last year the desire of most of the major oil companies for a higher and more stable price probably had little effect on market sentiment. However, in 1987, it may be that the oil companies' common interest in a firmer oil price will find a way of influencing the market, though not by any explicit agreement, which would unleash the power of the US anti-trust laws.

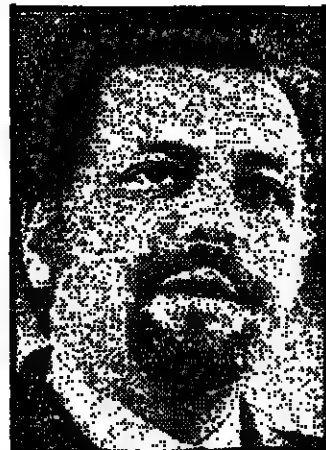
Nor will it be as a result of old-fashioned practices from corporate headquarters to the trading arms of the major oil companies. In recent years trading divisions have had to operate much more independently than they used to do. Even were that not the case, fierce competition in refining means that every oil company must strive for the cheapest price it can get, cargo by cargo.

Yet if Opec can make its new fixed price system stick, it may be that in some mysterious way, the majors will turn out to be supportive of the new regime. It will be a delicate, rather unstable balance. So long as every-one plays the fixed price game, oil companies as a group will have little more interest in breaking the consensus than will producers as a group.

However, as soon as the producers' ranks are seen to be wavering, it will be every man for himself in the pursuit of a marginal advantage.

Many people think this will happen as demand slackens in the Northern Hemisphere this spring. Even before then, stocks are sufficiently high to keep producers on the defensive, especially as there is little expectation that prices will rise much above the current level of about \$18 per barrel.

Since some oil now in stocks was bought at \$10 or less, oil companies could well reduce



Sheikh Yamani: sacked after politics won

stock levels, particularly if they dislike contract terms offered by Gulf producers.

The major oil companies have so far been reluctant to accept Saudi Arabia's proposed five-month contracts, and have continued to sign one-to-two-month deals. However, longer-term deals are now being negotiated with a number of producers.

The major uncertainties remain what will happen when the present system of fixed price differentials is seen to be out of line with market realities, and what will happen when demand drifts below Opec's desired level of supply.

Notably, there is any precision what preference refiners will show for the heavier crudes in the new fixed price structure. If the lower-priced heavy crude are preferred, producers of lighter blends may find themselves starved of volume unless they offer discounts from the fixed price. If this happens on a large scale the whole price edifice will be in danger of collapse.

The other big question is how Opec will react when total demand exceeds supply, perhaps as a result of "cheating" or as a result of a fall-off in consumption. Yet another Opec meeting might be called to fix new smaller quotas; but the credibility of Opec pacts may soon suffer from diminishing returns in the market.

It seems unlikely that the system can operate with anything like smoothness unless Saudi Arabia once more takes on the role of swing producer. This would be consistent with King Fahd's stated imperative of supporting an \$18 fixed price.

However, the King's reported views and Saudi Arabia's recent actions suggest great reluctance to reduce output much below the present quota of just over 8m b/d.

Max Wilkinson

Nymex in New York has fought hard to consolidate its position, led by its crude oil futures.

## Experience wins over Chicago

THE NEW YORK Mercantile Exchange has had to fight hard over the years to consolidate its now undisputed position as the doyen of energy futures exchanges.

In the process, it has founded both the huge Chicago exchange, which still dominates the industry as a whole and the many sceptics who initially sneered that the oil market would never be volatile enough to support a string of futures contracts.

The exchange first began to dabble in energy futures at about the time that Opec assumed ascendancy in the struggle for price control, in succession to the Seven Sisters. In 1973, Nymex launched a heating oil and residual contract which flopped due to quality specification and an unworkable location.

Five years later, it tried again. The heating oil contract which took root then, with a few local jobbers and distributors as the only commercial users, has blossomed into Nymex's second most heavily-traded future with volume last year totalling 3.25m contracts. Leaded and unleaded gasoline futures followed in 1981.

The experience and infrastructure gradually accrued in the early years was to stand the exchange in good stead when the battle with Chicago began in earnest with the move into crude oil futures in 1983.

The Chicago Board of Trade, the world's largest futures exchange, had already signalled its intentions by launching its own heating oil and unleaded gasoline contracts. Neither caught the trade's imagination, however, and both were ultimately delisted after less than two years of trading.

Crude oil was a different story, with the two rivals launching their contracts simultaneously on March 31, 1983. Few expected the relatively lightweight New York upstart to be able to live with the muscle and influence of the world's largest and most prestigious futures forum.

And so it proved. By the end of the first month, the Cbot had traded over 30,000 crude oil futures contracts, compared with just 14,000 on Nymex.

By the end of the fifth month, however, the roles had been reversed. While Nymex's volume had risen marginally to just over 16,000 contracts, the Cbot's had plummeted to near 6,000.

In retrospect, the Chicago flop was blamed on two factors: the Windy City's lack of an established core of energy traders like the one which Nymex had developed via its early products contracts; and the complexity of its delivery and payment mechanism. These handicaps quashed the initial enthusiasm of many south-west US businesses which needed an instrument like the Cbot's light Louisiana sweet-based contract which allowed for delivery on the Texas Gulf Coast, the largest oil hub, as opposed to New York.

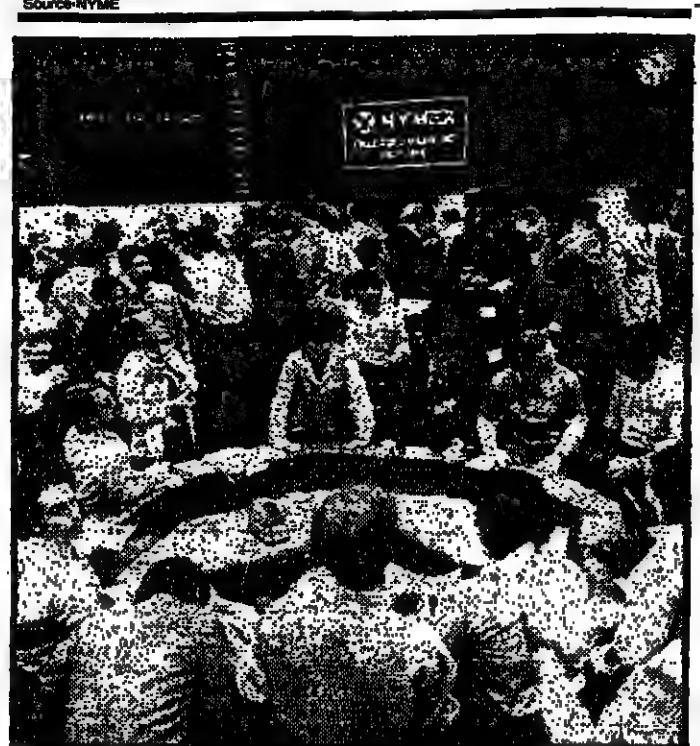
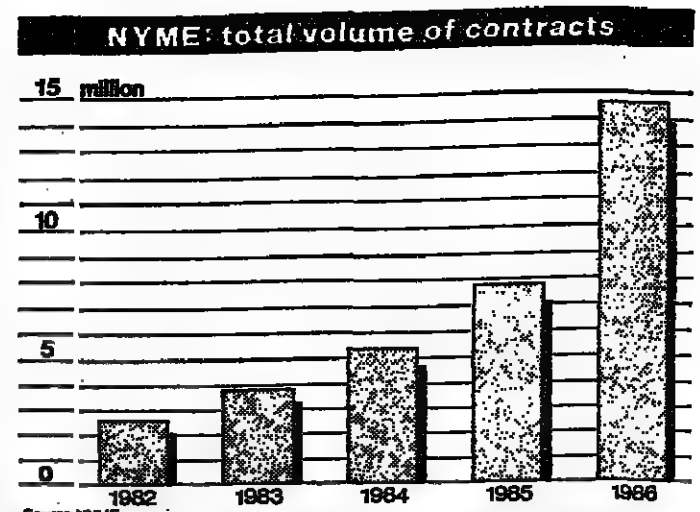
Having seen off the competitive threat from one huge Chicago exchange, Nymex was forced to confront the other when the Chicago Mercantile exchange went ahead with its plans to initiate an energy futures complex in March 1984.

By this time, New York's hold on the market was too well-established to be shaken. The CME contracts were effectively still-born. "We couldn't have launched them any earlier," says one CME official looking back on the failure. "We didn't have any room on the trading floor. By the time we did, it was probably a year or two too late."

Today, Nymex's dominance of the US exchange-traded energy futures arena options patch in complete. Outside the four contracts which now comprise the Nymex energy complex (crude oil, heating oil and unleaded gasoline futures and crude oil options), only the New York cotton futures, first listed in 1971, survives. There are plans for even propane futures to switch to Nymex as soon as contract changes, designed to make the instrument more appealing, have received regulatory approval.

The launch of crude oil options on November 14 was probably the main event for Nymex in 1986. Despite relatively low trading volume, the contract would not prove an overnight success, crude options out-traded every other US soft commodity option on their launch date and have since settled at a highly attractive daily average of some 4,500 lots.

Interestingly enough, the new option's initial user profile is said to differ markedly from the exchange's underlying and highly liquid crude oil futures contract. Various financial institutions appear prepared to adopt a



much higher profile in using them in more orthodox fields. "Options have brought some Wall Street institutions, insurance companies and, indirectly, banks to the market," Mr Michael Marks, the Nymex chairman, confirms.

"If they are not hedging their energy portfolio, they are experimenting with intent to do so," he adds.

A lot of people are experimenting," agrees Mr Peter Beutel, assistant director of the energy group at Eilers, futures. "Options strategies are very fragmented at the moment."

Conversely, according to Mr Lawrence Goldstein of Petroleum Industry Research, some big users of the futures market, like independent marketers, are not using options. "These companies typically don't have the expertise or an in-house expert," he explains.

The next new contract launch on the exchange will almost certainly be another option—this time on heating oil futures. The target period for start-up is currently summer 1987, in time for the peak trading season. By then, in Mr Marks' view, the exchange will have had a reasonable time to digest crude options and should be ready to try something new.

At this stage, there seems no reason to doubt that the mature heating oil futures contract is capable of supporting an option. While heating oil can no longer rival the crude futures contract for volume, business nonetheless jumped a healthy 40 per cent in 1986.

Later, the exchange hopes finally to launch the world's

first futures contract in natural gas—perhaps some time in the second half of this year. The project has been over two years in the pipeline, owing to difficulties in working out an appropriate delivery procedure. But exchange officials have indicated that these may now be close to resolution.

Nymex holds high hopes for such a contract, based on the increasing volatility in gas prices prompted by the process of deregulation currently under way in the US gas industry. Observers believe that interest would initially be confined to the US domestic market, however, owing to the continued rarity of spot trading in gas elsewhere.

For the moment, the exchange appears well set to continue its rapid growth on the back of the continuing price volatility in its chosen market niches.

However, the positively explosive expansion of last year is more likely to be the exception than the rule, based as it was on the happy coincidence of almost unprecedented volatility in two key Nymex commodities (crude and platinum).

The huge Chicago exchanges that New York aspires to rival have learnt that it pays to maintain a diversified portfolio. However institutionalised volatility of oil prices can be subject to rapid change—as Nymex risks discovering to its cost.

Recently, rumours have started circulating again about a possible merger between two or more of the four rival cohabitants of New York's commodity exchange centre. In such unpredictable times, the mutual benefits of such a move shine through more clearly than ever.

David Owen

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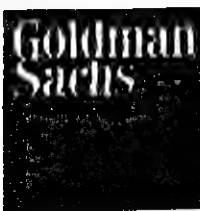
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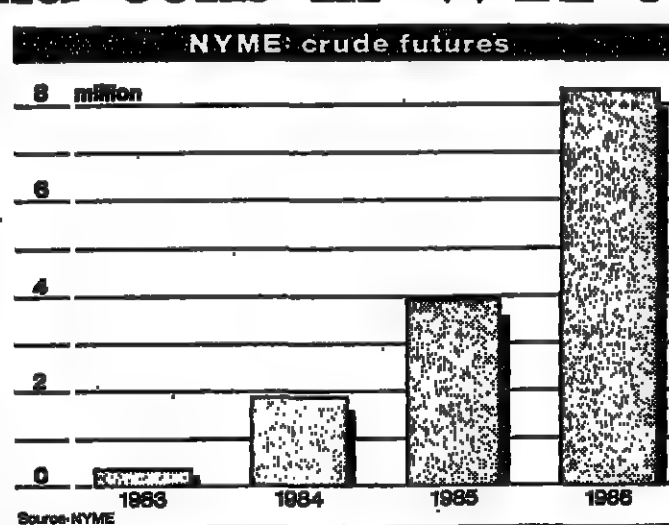
THE NOSTALGIC tend to get pretty short shift in the futures industry, so there will probably be few years shed at the fast-growing New York Mercantile Exchange when potato futures finally close at the expiration of the May 1987 contract.

True, the contract has not exactly numbered among the most active in the industry lately: daily volume in 1986 averaged just 66. But it was the exchange's backbone for most of the post-war period until 1975.

The delisting is therefore vested with considerable symbolic importance for Nymex. Not only does it mark a definitive break with the past, it also underlines the exchange's confidence in its current portfolio of energy and precious metals contracts as a firm base for continued growth.

This confidence will certainly have been bolstered by the exchange's 1986 performance. Overall volume climbed almost 50 per cent to 14.8m contracts. While arch-rivals CME remains for the moment New York's largest futures and options forum with total volume of 18.5m, Nymex fulfilled a long-held ambition last year by overtaking its struggling neighbour in terms of futures volume alone.

Despite outstanding growth in several other contracts—notably platinum and unleaded gasoline futures—Nymex's flagship remains its crude oil futures. As oil prices have moved from the



relative stability of a producers' cartel to the switchback world of a free market, crude futures have come into their own in no uncertain terms. In all, some 8.3m contracts (1,000 barrels each) changed hands in 1986—well over double the 1985 volume of 3.98m.

So large and liquid has the contract become that it is now established as one of the major indicators in the short-term physical oil market. "No one would be doing business on wet (physical) barrels without considering Nymex movements in the recent past," says one European oil company executive, as a Nymex survey conducted during the first six months of last year shows, the contract (like the energy complex as a whole) has also succeeded in attracting a wide and still expanding base of users.

The exchange now claims that five of the big six oil majors are among its largest players, as well as a range of oil marketing companies, investment houses, refiners and others. The survey does not name names but it is widely accepted that the absent major is Exxon, the daddy of them all. "Since the company deals in wet barrels, futures are not very useful for our operation," Mr Lawrence G. Rawl, Exxon's president, said last year.

While crude oil futures continue regularly to attract new users, and lately particularly among non-US national oil companies, there is clearly also room for expansion in the activities of many of those who are using the market already. "The producers have extended their use in recent months but it is still not significant compared to overall volume or potential," Mr Michael Marks, the exchange chairman, maintains.

It is now well-known that Mr T. Boone Pickens Jr., chief executive of Mesa Petroleum, hedged the bulk of the company's 1986 crude output on Nymex. But it is much commoner for producers to use the

market more selectively, cashing in a clear price advantage here, looking to hedge unexpected physical market exposure there. "It's hard if you buy a cargo of crude and don't know exactly what the products will be worth," according to one major oil company executive.

As more and more in the oil trade weigh whether to plunge into the Nymex fray or extend their existing participation further, one of the prime considerations must be how far an essentially paper West Texas Intermediate-based (WTI) futures contract can provide an adequate hedging medium not only for wet WTI barrels but also for other crude grades and products.

Certainly, WTI, accepted as the domestic US market crude, does not maintain a constant price differential to say, Brent, the European marker. "WTI is still a regional thing influenced by micro-peculiarities," says Mr Lawrence Goldstein of New York-based Petroleum Industry Research.

Indeed, the speed with which any short-term distortions in the two grades' normal price relationship are correct can be slowed by the fact that US-produced crude cannot normally be exported.

In other words, anyone seeking to hedge Brent with Nymex is necessarily exposed to a changing basis risk. Of course, seasoned traders and most of the large financial institutions have become adept at managing basis risk over the years. "The basis risk is something that you evaluate and quantify and take into account," says Mr John Drury, manager of trading in J. Aron's petroleum division. "Aron is one of a handful of US firms reported to be adopting a much higher profile on the Brent market than in recent months. Some banks are even said to be setting up 'boutiques' to help clients to hedge products are not specifically traded.

The consensus view though appears to be that while Nymex is less than a decade old, it is less for hedging other grades and even other oil-based products, the present situation is not ideal. "Nymex doesn't fulfill all needs for all hedging purposes," Aron's Drury says.

Accordingly, many believe that there is room for a regulated market in other crude oil grades, notwithstanding Nymex's success and the unhappy experience of London's international petroleum exchange in trying to get a cash-settled Brent-based contract off the ground.

There is room for a Brent contract," according to Mr Peter Beutel, assistant director of the energy group at Eilers, Futures in New York. "If a Brent or Dubai contract were offered, it might draw some business away from Nymex," he adds.

Nymex officials are unlikely to be losing much sleep over such projections just yet, however. For the moment they continue to ride high on the oil market's still relatively new-found volatility with scant indication of any outbreak of stability.

Indeed, with many now projecting that the latest bear cycle's \$9.75 WTI low mark will stand as the low for the decade, few would be surprised if Nymex crude futures were to register another sharp volume increase in 1987. "As the market moves up, you will see increased speculative and trade interest," says Mr Beutel of Eilers. "I think in the next bull market it will rival T-bonds (the most active futures contract in the world)," he adds.

In 1986, T-bond futures traded 52.6m contracts on the Chicago Board of Trade. To match that at a time when the overall market share of traditional commodity futures compared with financial contracts continues to decline seems a tall order.

David Owen

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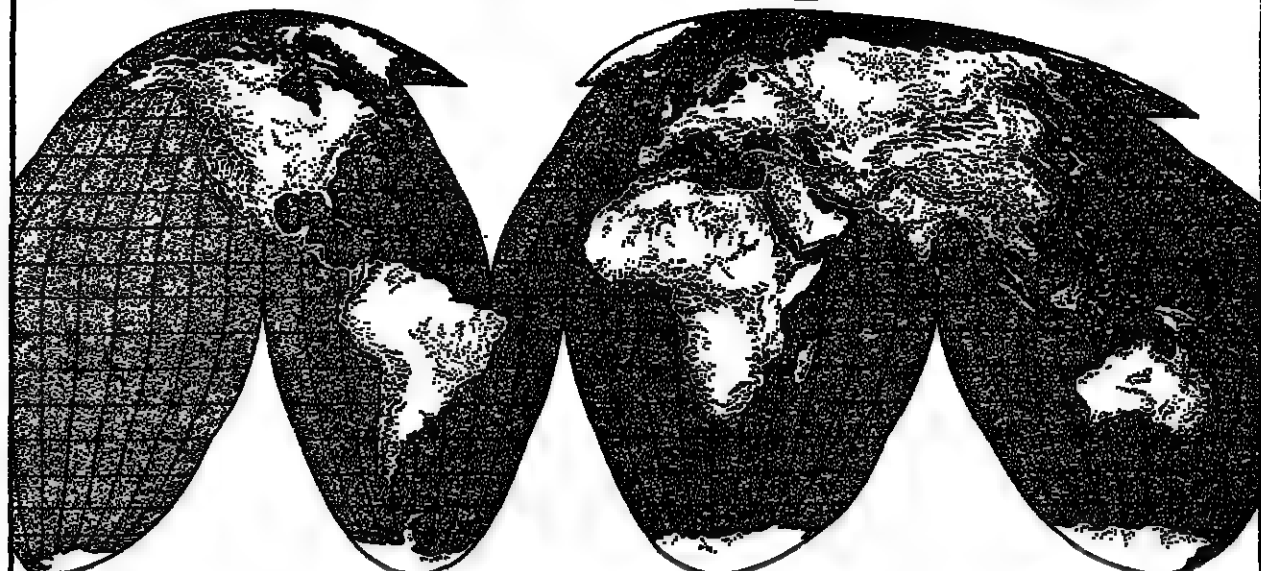




## Lucy Kellaway



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## FT LAW REPORTS

# Avoidance scheme results in higher tax

FRASER STEPHEN BIRD AND OTHERS v INLAND REVENUE COMMISSIONERS  
BREASMS NOMINEES LTD AND ANOTHER v INLAND REVENUE COMMISSIONERS

Court of Appeal (Sir Nicolas Browne-Wilkinson, Vice-Chancellor, Lord Justice Balcombe and Lord Justice Bingham): January 30 1987

**COUNTERACTION** by the Inland Revenue to a tax avoidance scheme is based on the contrast between tax payable under the scheme and that which would have been payable had there been no scheme; but the counteracting assessment should not give credit for tax liability arising from transactions within the overall scheme. Though the total burden falling directly on the taxpayer may be higher than if the scheme had not been adopted.

The Court of Appeal so held with reluctance, when dismissing appeals by Fraser Stephen Bird and others, and Breasms Nominees and another, the taxpayers' personal representatives and trustees respectively, and allowing cross-appeals by the Inland Revenue, from Mr Justice Vinelott's decision (1985) 58 TC 584 upholding a reduced amount assessment to income tax made as counteraction to a tax advantage.

Section 460(3) of the Income and Corporation Taxes Act 1970 provides: "Where this section applies to a person in respect of any transaction... the tax advantage obtained... shall be counteracted by... assessment..."

THE VICE-CHANCELLOR said that prior to 1971 a valuable property in Groydon belonged to a company called Groydon Centre Development Ltd (CCD). It was thought to be worth £10.2m and was charged to an American bank to secure a debt of \$5.8m.

The share capital of CCD belonged 70 per cent to a company called Ilmarish. The shares in Ilmarish belonged to the taxpayers.

It was desired to realise the Groydon property and distribute the net proceeds. If that had been done in the conventional manner it would have given rise to cumulative tax charges, which would have absorbed most of the proceeds. The parties went to Bradman and Fraser for advice as to the avoidance of tax liability.

Bradman devised a scheme. It was immensely complicated and fell into four parts—the "property," "share," "extraction" and "loan" schemes. By the use of Bradman companies and the circulation of

borrowed money, Ilmarish sold its shares in CCD; the Groydon property was sold for £9.8m; CCD acquired cash, £2.39m of which it distributed to shareholders as abnormal dividend; and £2.43m was lent to the taxpayers by Interlude, a company wholly owned by another company by Ilmarish, and controlled by the taxpayers.

The Inland Revenue issued notices against the taxpayers under section 460(3) of the 1970 Act, and made assessments of £1.1m and £972,000. The Special Commissioners upheld the assessments. Mr Justice Vinelott on appeal reduced them to £945,185 and £756,148 respectively.

The tax advantage obtained could be counteracted under section 460(3) if the case came within the section. Under section 461 C it came within section 460 where "... in consequence of a transaction whereby... any other person... has received an abnormal dividend..." the person in question had received consideration in such a way that he did not bear tax on it.

The issue on paragraph C was whether the "consideration" (ie the loans to the taxpayers from Interlude) was received by the taxpayers in consequence of a transaction "whereby" the CCD shareholders received the abnormal dividend.

Mr Justice Vinelott—relying on the Special Commissioners' finding of fact that there was one overall scheme with a number of constituent parts all directed to a single objective—held that a receipt of money forming part of such overall scheme (ie the payment of abnormal dividend) must be sufficiently causally connected with an earlier transaction in the same scheme (ie the sale of shares in CCD) to justify holding that the earlier transaction was one "whereby" the abnormal dividend was received.

The findings of fact by the Special Commissioners were unimpeachable, and the judge's conclusions in law were correct. The circumstances in paragraph C did exist and the case came within section 460. The "tax advantage" relied on by the Revenue, and found by the Special Commissioners and the judge, was the receipt of the loans from the taxpayers—which under the law as it was then thought to be did not attract tax.

The section 460(3) notices and assessments counteracted the tax advantage by treating the whole amounts paid to the taxpayers by way of loan as assessable to income tax and surtax. Mr Justice Vinelott reduced the amount to be assessed by the amount of the loans which the taxpayers had to repay (via Interlude) to Ilmarish to enable Ilmarish to pay the tax assessed on disposal of its shares in CCD.

The basic approach to counteraction under section 460 was laid down by the House of Lords in IRC v Furber (1966) AC 141, 178. There Lord Wilberforce said: "The paragraph presupposes a situation in which an assessment to tax... is made or may possibly be made: that the taxpayer is in a position to resist the assessment by saying that the way in which he received what it is sought to tax prevents him from being taxed on it; and that the Revenue is in a position to reply that it is sought to tax in another way he would have had to bear tax..."

The Special Commissioners applied that approach by contrasting the receipt which in fact accrued without tax (ie the loans) with a similar receipt which might have accrued in a taxable way (distribution of dividend). If their computation was right, the Revenue was entitled to recover tax in relation to the several steps of the overall scheme far in excess of that which would have been payable if the scheme had not been adopted.

The Revenue would recover tax on CCD in respect of the disposal of the Groydon property; on Ilmarish, in respect of the chargeable gain on the sale of CCD shares; and on the taxpayers together in the sum of £2.1m under section 460.

Therefore, if the Special Commissioners were right, directly and indirectly the taxpayers would have to bear tax on well over £2.5m in relation to a scheme which in fact produced £2.43m in their pockets—and that only by way of loan. Although that was not strictly double taxation, since the assessments were all made on separate legal entities, in substance it had all the vices of double taxation. It would be a grossly inequitable result. As Lord Scarman said in Gervis 55 TC 294: "Those who use... tax avoidance schemes... can expect no mercy; but they are entitled, like the rest of us, to justice."

In Williams v IRC 54 TC 257 taxpayers received loans similar to those in the present case. It was held that such loans constituted tax advantages in their full amounts, notwithstanding that the lending company had been subject to a shortfall assessment and the taxpayers had been subjected to consequential surtax apportionments. The decision was upheld in the House of Lords.

Mr Justice Vinelott felt able to distinguish Williams because there the practical likelihood of the loans being called in was negligible whereas in the present case, in his view, there was a high probability that they would be called in to discharge Ilmarish's tax liability. The decision in Williams was binding and it was not legitimate to distinguish it on those grounds. The nature and value of the receipt by the taxpayer fell to be judged as at date of receipt. In both cases the parties expected never to have to repay the loans or to do so only if, contrary to expectation, a tax liability accrued on the lending company. There was no satisfactory or adequate ground to distinguish the present case from Williams.

sequential surtax apportionments. The decision was upheld in the House of Lords.

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The court was bound to allow the cross-appeal and reinstate the assessment in the full amount. That conclusion was reached with the utmost care, as it was both unfair and oppressive. It was hoped that the House of Lords might feel freer to do justice by reconsidering some of the earlier decisions.

In a comparatively simple case like Furber, the straightforward contrast between the actual receipt of monies in a non-taxable way and another possible receipt in a taxable way gave rise to no anomalies. But in complex cases, like the present, the position was quite different. The case only fell within section 460 because there was one overall scheme designed to transfer the proceeds of sale of a property, free of tax, into the hands of the taxpayer.

If the implementation of such an overall scheme gave rise to tax liabilities, borne directly or indirectly by the taxpayer, the tax advantage was *pro tanto* diminished. It should follow that any counteraction should take account of such diminution. Power to counteract tax advantages should not permit a notice to be served which went far beyond real counteraction.

It was hoped that the House of Lords might feel able to reconsider the whole matter with a view to ensuring that section 460 could only be used for its legitimate stated purpose, namely, the counteraction of an actual tax advantage.

Lord Justice Balcombe gave a concurring judgment. Lord Justice Bingham agreed.

For the taxpayers: Charles Beattie, QC, and Stephen Braddon. (Wodlake Bell).

For the Revenue: Donald Rennie, QC, and Christopher McCall (Solicitors, Inland Revenue).

By Rachel Davies  
Barrister

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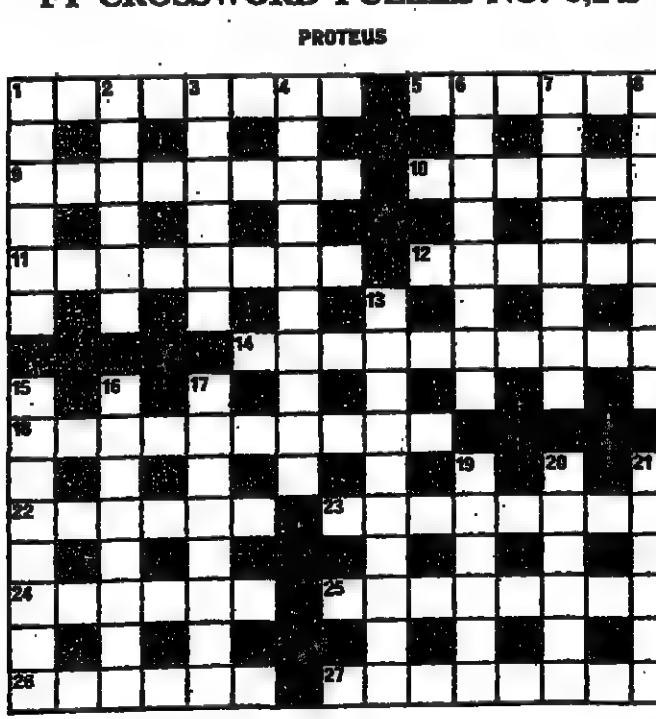


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Abnky Unit Trst. Mgmt. Co. (a)	Net Assets	Yield	Price	Rating
60 Hedgesbrook Rd, Bournemouth	£5.45	0.00	71.37	71.37
Abnky Income	10.00	1.48		
Abnky Bond	10.00	10.00		
Abnky Growth	10.00	10.00		
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## ET CROSSWORD PUZZLE NO. 6.243



**ACROSS** 4 Bury runner proves intrad (10)

- 1 Clergyman taking tea at night
  - 2 Second thoughts about coarse persons of affected modesty (6)
  - 3 Representative of French general holding gun (8)
  - 4 What doctor sometimes is to soldier (8)
  - 5 Assiduity shown in attempt to follow river (8)
  - 6 Will-humour at the organ (6)
  - 7 Opposed to orchestra receiving smuggled goods (10)
  - 8 Money put on race in China (3, 5)
  - 9 Irish province affording some powerful stereotypes (6)
  - 10 Church accepting a model as guide (8)
  - 11 Fallacies of silver fortune-teller returns (6)
  - 12 Pairs off Scotsman with Frenchman (8)
  - 13 Occurrences at flat over the way? (6)
  - 14 Communications in confused haste long time (8)
  - 15 Come back on stage to gather fruit (8)
  - 16 Papal edict to appear at end of year—possibly later (8)
  - 17 Evening performance done and perhaps to the point (8)
  - 18 Stirring of horse near exact? (5-4)
  - 19 Exact account by churchman (8)
  - 20 Jam for example girl has bring to table (8)
  - 21 Share concern (8)
  - 22 Mars booty (6)
  - 23 Sister finding money in newspaper (6)
  - 24 Game is up for group in hot (6)
- Solution to Puzzle No. 6, 242**
- |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
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| E | N | D | E | R | S | E | S | E | S | E | S | E | S | E | S | E |

State a long time (9)

- DOWN**
- 1 Apple turnover nothing to doctor (6)
  - 2 Refer to article about boring Reg-head (6)
  - 3 Expert in law for example shown in catalogue (6)

[illegible][illegible][illegible]

## INSURANCES

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Table with 2 columns: Fund Name, Value. Includes various insurance and investment funds.

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MANAGEMENT SERVICES

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Money Market

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Bank Accounts

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NOTES

Text block containing notes and additional information.

TRADITIONAL OPTIONS

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3-month call rates

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## COMMODITIES AND AGRICULTURE

## LME studies dollar settlement scheme

BY RICHARD MOONEY

THE LONDON Metal Exchange has launched a study into the possibility of settling dollar-denominated contracts for its six traded metals alongside the existing sterling prices.

Having been advised that it would be impractical to trade sterling and dollar contracts in tandem for aluminium, the main dollar dominated metal, and being unwilling to abandon the sterling contract for that metal, the exchange is now considering a plan for

the introduction of trading in a dollar-sterling exchange rate quotation provided by an international group of banks, headed by Lloyds Bank.

The bank group would set a rate daily at 1.15 pm, which would be used to calculate official dollar settlement prices for all LME metals.

even Metals, are reported to be at an advanced stage. For some time aluminium traders have felt the need of a dollar-denominated settlement, but over the past year or so this has been spreading to traders in the other metals, as wide fluctuations in the sterling-dollar rate have forced them increasingly to

talk and think in dollar terms. So far, satisfying this need has been left to a number of brokers and banks which

have offered tradable sterling-dollar rates. But even among those brokers there is an official rate endorsed by the LME itself would greatly improve the market's transparency for dollar trading purposes.

Although the sub-committee is confining itself to the immediate need for a dollar quote Mr Booth says settlements in other currencies could come in time.

## Brussels seeks to curb oil imports

By Tim Dickson in Brussels

PLANS for an oil and fats tax could hold up formal adoption by the European Commission of its 1987-88 farm price proposals, some observers suggested in Brussels yesterday. EEC officials, however, are still betting that the tough package of measures—designed to keep up the battle against Europe's food surpluses—will be agreed at the weekly meeting of the 17-man Commission tomorrow.

The idea of an oil and fats tax or "stabilisation mechanism"—which would effectively be a tax on the use of imported oilseeds—was not included in the original measures put forward inside the Commission last weekend by Mr Frans Andriessen, the EEC's Farm Commissioner.

Given that the tax would hit US producers directly, it was considered far too sensitive to table during the delicate negotiations with the US over lost EEC markets for maize and sorghum.

Now that this conflict has been successfully resolved, however, the Commission has, once again, contemplated the merits of such a scheme which may consist of an overall tax on oilseeds production and a system of deficiency payments to EEC producers to ensure that there is no reduction in the export price. The net effect would be that the price paid by crushers for domestically produced oilseeds would remain unchanged while the cost of imported oilseeds would rise by the amount of the tax.

This concept, while politically attractive in the EEC, seems likely further to exacerbate EEC/US relations just when one agricultural dispute has been settled.

Besides uncertainty over oil and fats, the Commission over the last few days has also been attempting to make more coherent plans for abandoning the current system of monetary compensatory amounts, based on the D-Mark based "agricultural Ecu", in favour of the old system based on a "central Ecu".

The Commission ultimately wants to phase out MCAs but faces the challenge of how to do this without allowing ministers the opportunity to push through disguised institutional farm price increases in the form of green currency devaluations.

The Commission has granted export subsidies for the sale of almost 1m tonnes of feed wheat to the Soviet Union.

## Zinc producers try to resist price slide

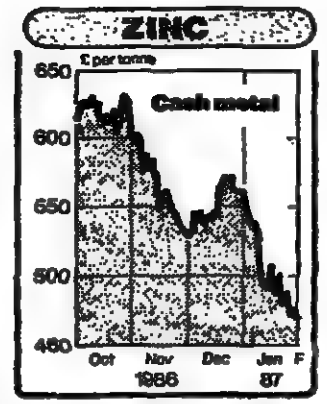
BY RICHARD MOONEY

THE SEEMINGLY inexorable slide in London Metal Exchange zinc prices continued yesterday in spite of an apparent effort by the majority of European zinc producers to stop the not.

Last Wednesday Metallgesellschaft of West Germany, a traditional market leader, lowered its European producer price (EPP) from \$520 a tonne to \$470, following a similar cut several weeks earlier. But although the price was still about \$50 above the LME level (considered by most analysts to be the maximum reasonable premium) the move was not immediately followed by other smelters.

Instead they waited for a second lead from Billiton of the Netherlands, the other traditional price-setter, and when that came, on Friday, it was for a cut of only \$20 to \$490 a tonne. The pricing round was completed yesterday with the vast majority of producers following Billiton—only Penarroya of France followed Metallgesellschaft's example.

As a result for one leading smelter suggested yesterday that the market outlook might appear gloomier in West Germany, where customers' stocks



are believed to be high and buyers are few and far between at the moment. "Elsewhere in Europe the supply/demand balance is still relatively tight," he said.

Some analysts are more inclined to believe, however, that Metallgesellschaft's cut is right and that the others are simply trying to resist the inevitable.

Mr Stephen Briggs of Shearson & Stephens, the London broker, believes the smelters are trying to "hold the line" on the EEP because

they are not yet ready to attempt again the "tried and failed method" of market intervention, which left a number of them with badly burnt fingers before Christmas.

"The charts are appalling," he says, "and sentiment is still poor, even among producers." Against that background consumers appear to be holding off in the hope of prices going lower still. "I had all the smelters followed Metallgesellschaft's lead the LME prices would have collapsed even more quickly," Mr Briggs says. As it is the three months quotation has fallen another \$16.75 since last Wednesday's announcement, with yesterday's \$5.75 decline taking the price to a fresh nine-month low.

Mr Briggs thinks the market could be nearing the "danger level," however. "Any further substantial price fall could prompt smelters to look seriously at further capacity cuts," he warns.

## Rice sale may cost Thailand £1m

BY PETER UNGPHAKORN IN BANGKOK

THE THAI Government is to sell 250,000 tonnes of rice to Iran through a mystery European broker for \$42.5m (€22m), one of the largest single Thai rice deals ever.

The move is likely to give a further boost to domestic rice prices, which are already rising, unusually for the present peak harvest period. But it is controversial because in the process the Commerce Ministry appears to be prepared to forgo an estimated \$40.7m (\$16.97m) in order to assist two of Thailand's largest exporters.

The Commerce Minister, Mr Montree Pongpanit, declined yesterday to give any more than the broadest outlines of the deal, leaving out even the destination of the rice. But traders said that the Ministry was actually taking over 40,000 tonnes to be sold to the Malaysian Government and a possible further international deal of 150,000 tonnes next week. Being seen to promote rice, Thailand's

largest crop, is always politically popular. Last year Thailand exported 4.3m tonnes of rice, its second largest volume ever. But the Baht 19.4bn earned was down 13 per cent on the earnings from 40m tonnes exported in 1985, because of competition from lower and subsidised US prices and the lower quality of the Thai harvest.

Exports this year have started off well with 300,000 tonnes sold in January. But this year's harvest is smaller because of the irregular rainfall and farmers cutting back on expensive fertiliser and pesticides. The main dry season harvest is estimated down 5 per cent at 17.06m tonnes of rough (unmilled) rice. Although prices have recovered slightly they are still low.

The Commerce Ministry expects exports to reach 4.4m tonnes again this year but Thai exporters and the US Department of Agriculture believe 3.7m to 3.9m tonnes is more realistic.

## Israeli cotton losses continue

BY JUDITH MALTZ

ISRAELI cotton farmers found themselves deeply in the red last year for the second season running, although the total acreage under cotton was reduced by a third last year, losses added up to \$35m (€23m), compared with \$42m in 1985.

According to the Cotton Production and Marketing Board, total sales reached \$130m out of which \$100m went for export, chiefly to Western Europe.

Mr Josef Diomay, managing director of the Cotton Board said his organisation had requested \$17m from the Government to help finance last season's losses, a similar sum to that in the previous year.

He said last season's losses resulted mainly from the slump in world cotton prices and the Government's recent 10 per cent devaluation of the Shekel, should also boost export earnings, he said.

the industry would see a turn around in 1987, and might even show modest profits. Mr Diomay said that, thanks to increased rainfall this winter, the country's cotton farmers planned to expand their acreage by up to 10 per cent.

Existing world cotton prices coupled with the effects of the Government's recent 10 per cent devaluation of the Shekel, should also boost export earnings, he said.

## LONDON MARKETS

ALUMINIUM prices yesterday continued to defy the general gloom on the London Metal Exchange. With chart patterns still looking bullish following last week's strong performance, further fresh buying appeared, and the US physical market reported tighter, the cash LME position moved up another \$2.50 to \$515 a tonne—the highest level since late October. Dealers said the upward pressure was augmented by short-covering purchases, nervousness about possible tightness being caused by April options declarations, and a sharp fall in LME warehouse stocks last week.

The nickel market was also firm, building on Friday's rally. The cash position rose \$2.50 to close at \$2,235 a tonne while the three months quotation closed \$26 up at \$2,433.50 a tonne. Earlier it had reached a peak of \$2,475 a tonne, helped by what traders assumed to be producer-linked buying.

LME prices supplied by Amalgamated Metal Trading.

Unofficial	Official	High/Low
Cash	1514.5-15.5	1515.00
3 months	1514.5-15.5	1515.00
6 months	1514.5-15.5	1515.00
9 months	1514.5-15.5	1515.00
12 months	1514.5-15.5	1515.00

Unofficial	Official	High/Low
Cash	1514.5-15.5	1515.00
3 months	1514.5-15.5	1515.00
6 months	1514.5-15.5	1515.00
9 months	1514.5-15.5	1515.00
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9 months	1514.5-15.5	1515.00
12 months	1514.5-15.5	1515.00

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12 months	1514.5-15.5	1515.00

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Unofficial	Official	High/Low
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6 months	1514.5-15.5	1515.00
9 months	1514.5-15.5	1515.00
12 months	1514.5-15.5	1515.00

## INDICES

REUTERS  
1603.7 (1607.7)  
(Base: September 1987=100)

Index	Jan 87	Jan 86	Jan 85	Jan 84	Jan 83	Jan 82	Jan 81	Jan 80	Jan 79	Jan 78	Jan 77	Jan 76	Jan 75	Jan 74	Jan 73	Jan 72	Jan 71	Jan 70	Jan 69	Jan 68	Jan 67	Jan 66	Jan 65	Jan 64	Jan 63	Jan 62	Jan 61	Jan 60	Jan 59	Jan 58	Jan 57	Jan 56	Jan 55	Jan 54	Jan 53	Jan 52	Jan 51	Jan 50	Jan 49	Jan 48	Jan 47	Jan 46	Jan 45	Jan 44	Jan 43	Jan 42	Jan 41	Jan 40	Jan 39	Jan 38	Jan 37	Jan 36	Jan 35	Jan 34	Jan 33	Jan 32	Jan 31	Jan 30	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Jan 14	Jan 13	Jan 12	Jan 11	Jan 10	Jan 9	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4	Jan 3	Jan 2	Jan 1	Jan 0	Jan -1	Jan -2	Jan -3	Jan -4	Jan -5	Jan -6	Jan -7	Jan -8	Jan -9	Jan -10	Jan -11	Jan -12	Jan -13	Jan -14	Jan -15	Jan -16	Jan -17	Jan -18	Jan -19	Jan -20	Jan -21	Jan -22	Jan -23	Jan -24	Jan -25	Jan -26	Jan -27	Jan -28	Jan -29	Jan -30	Jan -31	Jan -32	Jan -33	Jan -34	Jan -35	Jan -36	Jan -37	Jan -38	Jan -39	Jan -40	Jan -41	Jan -42	Jan -43	Jan -44	Jan -45	Jan -46	Jan -47	Jan -48	Jan -49	Jan -50	Jan -51	Jan -52	Jan -53	Jan -54	Jan -55	Jan -56	Jan -57	Jan -58	Jan -59	Jan -60	Jan -61	Jan -62	Jan -63	Jan -64	Jan -65	Jan -66	Jan -67	Jan -68	Jan -69	Jan -70	Jan -71	Jan -72	Jan -73	Jan -74	Jan -75	Jan -76	Jan -77	Jan -78	Jan -79	Jan -80	Jan -81	Jan -82	Jan -83	Jan -84	Jan -85	Jan -86	Jan -87	Jan -88	Jan -89	Jan -90	Jan -91	Jan -92	Jan -93	Jan -94	Jan -95	Jan -96	Jan -97	Jan -98	Jan -99	Jan -100
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Index	Jan 87	Jan 86	Jan 85	Jan 84	Jan 83	Jan 82	Jan 81	Jan 80	Jan 79	Jan 78	Jan 77	Jan 76	Jan 75	Jan 74	Jan 73	Jan 72	Jan 71	Jan 70	Jan 69	Jan 68	Jan 67	Jan 66	Jan 65	Jan 64	Jan 63	Jan 62	Jan 61	Jan 60	Jan 59	Jan 58	Jan 57	Jan 56	Jan 55	Jan 54	Jan 53	Jan 52	Jan 51	Jan 50	Jan 49	Jan 48	Jan 47	Jan 46	Jan 45	Jan 44	Jan 43	Jan 42	Jan 41	Jan 40	Jan 39	Jan 38	Jan 37	Jan 36	Jan 35	Jan 34	Jan 33	Jan 32	Jan 31	Jan 30	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Jan 14	Jan 13	Jan 12	Jan 11	Jan 10	Jan 9	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4	Jan 3	Jan 2	Jan 1	Jan 0	Jan -1	Jan -2	Jan -3	Jan -4	Jan -5	Jan -6	Jan -7	Jan -8	Jan -9	Jan -10	Jan -11	Jan -12	Jan -13	Jan -14	Jan -15	Jan -16	Jan -17	Jan -18	Jan -19	Jan -20	Jan -21	Jan -22	Jan -23	Jan -24	Jan -25	Jan -26	Jan -27	Jan -28	Jan -29	Jan -30	Jan -31	Jan -32	Jan -33	Jan -34	Jan -35	Jan -36	Jan -37	Jan -38	Jan -39	Jan -40	Jan -41	Jan -42	Jan -43	Jan -44	Jan -45	Jan -46	Jan -47	Jan -48	Jan -49	Jan -50	Jan -51	Jan -52	Jan -53	Jan -54	Jan -55	Jan -56	Jan -57	Jan -58	Jan -59	Jan -60	Jan -61	Jan -62	Jan -63	Jan -64	Jan -65	Jan -66	Jan -67	Jan -68	Jan -69	Jan -70	Jan -71	Jan -72	Jan -73	Jan -74	Jan -75	Jan -76	Jan -77	Jan -78	Jan -79	Jan -80	Jan -81	Jan -82	Jan -83	Jan -84	Jan -85	Jan -86	Jan -87	Jan -88	Jan -89	Jan -90	Jan -91	Jan -92	Jan -93	Jan -94	Jan -95	Jan -96	Jan -97	Jan -98	Jan -99	Jan -100
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Index	Jan 87	Jan 86	Jan 85	Jan 84	Jan 83	Jan 82	Jan 81	Jan 80	Jan 79	Jan 78	Jan 77	Jan 76	Jan 75	Jan 74	Jan 73	Jan 72	Jan 71	Jan 70	Jan 69	Jan 68	Jan 67	Jan 66	Jan 65	Jan 64	Jan 63	Jan 62	Jan 61	Jan 60	Jan 59	Jan 58	Jan 57	Jan 56	Jan 55	Jan 54	Jan 53	Jan 52	Jan 51	Jan 50	Jan 49	Jan 48	Jan 47	Jan 46	Jan 45	Jan 44	Jan 43	Jan 42	Jan 41	Jan 40	Jan 39	Jan 38	Jan 37	Jan 36	Jan 35	Jan 34	Jan 33	Jan 32	Jan 31	Jan 30	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Jan 14	Jan 13	Jan 12	Jan 11	Jan 10	Jan 9	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4	Jan 3	Jan 2	Jan 1	Jan 0	Jan -1	Jan -2	Jan -3	Jan -4	Jan -5	Jan -6	Jan -7	Jan -8	Jan -9	Jan -10	Jan -11	Jan -12	Jan -13	Jan -14	Jan -15	Jan -16	Jan -17	Jan -18	Jan -19	Jan -20	Jan -21	Jan -22	Jan -23	Jan -24	Jan -25	Jan -26	Jan -27	Jan -28	Jan -29	Jan -30	Jan -31	Jan -32	Jan -33	Jan -34	Jan -35	Jan -36	Jan -37	Jan
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## CURRENCIES, MONEY &amp; CAPITAL MARKETS

## FOREIGN EXCHANGES

## Dollar and pound disappoint

THE DOLLAR retreated in nervous trading on the foreign exchange market yesterday. There was evidence that dealers were happy to take quick profits after Friday's sharp rise on better than expected US trade figures. The warning by Mr James Baker, US Treasury Secretary, not to place too much faith in the month-to-month figures weighed on the dollar, and dealers also noted that Mr Paul Volcker, chairman of the US Federal Reserve Board, failed to state explicitly that the dollar has fallen far enough in his testimony before Congress yesterday.

The dollar fell to DM 1.8075 from DM 1.8330, to FF 6.0275 from FF 6.0175, to SF 1.5550 from SF 1.5440, and to Y158.55 from Y153.55.

On Bank of England figures the dollar's index fell to 106.8 from 104.3, while the pound's index rose to 157.0 from 156.0. The dollar's exchange rate against the pound fell 0.1 to 68.4, compared with 71.7 six months ago. Sterling improved against the dollar, but weakened against Continental currencies, as dealers expressed some disappointment at the pound's failure to benefit more from the rise in oil prices in recent months, and reasonably encouraging economic news. Sterling rose 1.05 cents to S1.2325-1.2345, while declining to DM 2.7350 from DM 2.7225, to FF 6.1850 from FF 6.2450, to SF 2.3250 from SF 2.3375. The pound was unchanged at Y232.50.

**D-MARK**—Trading range against the dollar in 1986-87 is 2.4710 to 1.7870. January average 1.9564. Exchange rate index 148.8 against 128.2 six months ago. The D-Mark weakened against the dollar as traders took profits.

## IN NEW YORK

Feb 2	Jan 2	Previous
1 month	1.5290-1.5340	1.5350-1.5145
3 months	1.5290-1.5340	1.5350-1.5145
6 months	1.5290-1.5340	1.5350-1.5145
12 months	1.5290-1.5340	1.5350-1.5145

Feb 2	Jan 2	Previous
1 month	1.5290-1.5340	1.5350-1.5145
3 months	1.5290-1.5340	1.5350-1.5145
6 months	1.5290-1.5340	1.5350-1.5145
12 months	1.5290-1.5340	1.5350-1.5145

Forward premiums and discounts apply to the U.S. dollar.

## STERLING INDEX

Feb 2	Jan 2	Previous
1 month	1.5290-1.5340	1.5350-1.5145
3 months	1.5290-1.5340	1.5350-1.5145
6 months	1.5290-1.5340	1.5350-1.5145
12 months	1.5290-1.5340	1.5350-1.5145

Forward premiums and discounts apply to the U.S. dollar.

## CURRENCY RATES

Feb 2	Jan 2	Previous
1 month	1.5290-1.5340	1.5350-1.5145
3 months	1.5290-1.5340	1.5350-1.5145
6 months	1.5290-1.5340	1.5350-1.5145
12 months	1.5290-1.5340	1.5350-1.5145

Forward premiums and discounts apply to the U.S. dollar.

## CURRENCY MOVEMENTS

Feb 2	Jan 2	Previous
1 month	1.5290-1.5340	1.5350-1.5145
3 months	1.5290-1.5340	1.5350-1.5145
6 months	1.5290-1.5340	1.5350-1.5145
12 months	1.5290-1.5340	1.5350-1.5145

Forward premiums and discounts apply to the U.S. dollar.

## OTHER CURRENCIES

Feb 2	Jan 2	Previous
1 month	1.5290-1.5340	1.5350-1.5145
3 months	1.5290-1.5340	1.5350-1.5145
6 months	1.5290-1.5340	1.5350-1.5145
12 months	1.5290-1.5340	1.5350-1.5145

Forward premiums and discounts apply to the U.S. dollar.

## MONEY MARKETS

Feb 2	Jan 2	Previous
1 month	1.5290-1.5340	1.5350-1.5145
3 months	1.5290-1.5340	1.5350-1.5145
6 months	1.5290-1.5340	1.5350-1.5145
12 months	1.5290-1.5340	1.5350-1.5145

Forward premiums and discounts apply to the U.S. dollar.

## LONDON RATES EASE

Feb 2	Jan 2	Previous
1 month	1.5290-1.5340	1.5350-1.5145
3 months	1.5290-1.5340	1.5350-1.5145
6 months	1.5290-1.5340	1.5350-1.5145
12 months	1.5290-1.5340	1.5350-1.5145

Forward premiums and discounts apply to the U.S. dollar.

## MONEY RATES

Feb 2	Jan 2	Previous
1 month	1.5290-1.5340	1.5350-1.5145
3 months	1.5290-1.5340	1.5350-1.5145
6 months	1.5290-1.5340	1.5350-1.5145
12 months	1.5290-1.5340	1.5350-1.5145

Forward premiums and discounts apply to the U.S. dollar.

## LONDON MONEY RATES

Feb 2	Jan 2	Previous
1 month	1.5290-1.5340	1.5350-1.5145
3 months	1.5290-1.5340	1.5350-1.5145
6 months	1.5290-1.5340	1.5350-1.5145
12 months	1.5290-1.5340	1.5350-1.5145

Forward premiums and discounts apply to the U.S. dollar.

## LONDON INTERBANK FIXING

Feb 2	Jan 2	Previous
1 month	1.5290-1.5340	1.5350-1.5145
3 months	1.5290-1.5340	1.5350-1.5145
6 months	1.5290-1.5340	1.5350-1.5145
12 months	1.5290-1.5340	1.5350-1.5145

Forward premiums and discounts apply to the U.S. dollar.

## LONDON MONEY RATES

Feb 2	Jan 2	Previous
1 month	1.5290-1.5340	1.5350-1.5145
3 months	1.5290-1.5340	1.5350-1.5145
6 months	1.5290-1.5340	1.5350-1.5145
12 months	1.5290-1.5340	1.5350-1.5145

Forward premiums and discounts apply to the U.S. dollar.

## LONDON MONEY RATES

Feb 2	Jan 2	Previous
1 month	1.5290-1.5340	1.5350-1.5145
3 months	1.5290-1.5340	1.5350-1.5145
6 months	1.5290-1.5340	1.5350-1.5145
12 months	1.5290-1.5340	1.5350-1.5145

Forward premiums and discounts apply to the U.S. dollar.

## FINANCIAL FUTURES

## Gilts and bonds nervous

SENTIMENT was influenced by dollar uncertainty in the London International Financial Futures Exchange yesterday. The US unit failed to capitalise on Friday's sharp rise, following better than expected trade figures and three-month Euro-dollar and US Treasury bond prices reflected market disappointment. Some dealers had expected a sharp contraction in the figure and this also tended to leave the market lacking direction. With the prospects of an early meeting of the G5 finance ministers slowly receding and continued evidence of the lack of commitment between the US and its major trading partners, prices opened in London on a weaker note.

March Euro-dollars opened at 93.72 for March delivery and touched a high of 93.75. However, the dollar's nervous tone and a lack of any reaction to comments made by Mr James Baker, US Treasury Secretary, enabled sellers to gain the upper hand and the price touched a low of 93.68 before closing at 93.70 down from 93.70 on Friday.

US Treasury bonds opened for March delivery at 99.10 and very quickly touched a high of 99.13 before dollar fears once again undermined confidence. There was also uncertainty about this week's Treasury refunding programme and the attitude of Japanese investors. The March price reached a low of 98.24 after the start of trading in Chicago and after an erratic few hours closed at 98.31 down from 99.24 on Friday.

Long gilts traded very quietly in comparison to the record volume seen over the past two weeks. There was little news to give the market any encouragement. Sterling remained on the sidelines, showing a small decline over the weekend. The March gilt price opened at 114.22 and traded in a 114.21-27 range for much of the morning. With sentiment failing to improve during the afternoon, values were marked down, so that a low of 114.19 was touched before the contract closed at 114.26, little from Friday's close of 114.25.

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## LONDON SHARE SERVICE

## INDUSTRIALS—Continued

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**MINES—Continued**

### REGIONAL & IRISH STOCKS











SECRET

Continued on Page 41







# FINANCIAL TIMES

## WORLD STOCK MARKETS

### WALL STREET

## Record run derives fresh inspiration

AFTER a tentative start to the session, Wall Street stock prices rose strongly yesterday, writes Roderick Oram in New York.

Advances came despite weakness in the bond market, caused in part by a slipping of the dollar in nervous trading following Mr Paul Volcker's testimony to Congress. The chairman of the Federal Reserve Board said the currency was in "some jeopardy" of suffering a free fall.

In contrast, some companies which will benefit from a weaker dollar enjoyed higher share prices. Some issues recently the objects of profit-taking were also ahead.

The Dow Jones industrial average closed up 21.86 points at 2,119.70. Among the blue chips American Express rose 5% to \$68, General Electric added 1% to \$101.1, Eastman Kodak gained 1% to \$78.6, International Business Machines advanced 3% to \$132.4, Merck rose 1% to \$139 and Procter and Gamble slipped 1% to \$86.4.

Broader market indices were similarly up strongly. The New York and American Stock Exchange composite in-

dices closed up 1.34 to 157.45 and 3.68 to 304.15, respectively. NYSE volume was moderately heavy at 177.6m with advances outnumbering declines by 1,150 to 467.

The takeover arena saw a sudden burst of activity after a quiet start to the year. Diamond Shamrock dipped 4% to \$14.4 after unveiling comprehensive actions designed to thwart a takeover attempt by Mr T. Boone Pickens, the Texas oilman.

The company will spin off its marketing and refining operations in a public company and buy back 20m shares, 14 per cent of the total, for \$17 a share among other actions. In addition, its chief executive resigned yesterday.

Viacom advanced 3% to \$43.7. The television programme and film distributor and cable television company received a \$44.25-a-share offer from a subsidiary of National Amusements, a privately held cinema chain which already has a stake of more than 18 per cent. The bid values Viacom at \$1.55bn.

Cyclops, a leading specialty steel maker jumped 5% to \$77. It received a \$75-a-share bid from Audio-Video Affiliates, a consumer electronic retailer, which gained 5% to \$64. Cyclops said a second organisation had also expressed interest in buying it.

Holly Sugar gained 2% to \$108. The largest beet sugar producer in the US put itself up for sale.

Heritage Communications added 3% to \$32.4 on heavy volume. A management-led investor group has offered to buy the cable television company for \$83.5m, or about \$37.50 a share.

BankAmerica rose 5% to \$14.4. It sold

its Schwab discount brokerage unit to a group led by Charles Schwab which should result in a \$130m pre-tax gain. The bank holding company, the object of a tentative bid from First Interstate, also announced a faster rate of loan charge-offs and staff cuts than previously forecast.

Among companies reporting earnings yesterday, MCI was unchanged at \$84 on heavy volume in the over-the-counter market. It reported a forecast a fourth-quarter operating loss of \$502m because of restructuring charges.

Companies reporting higher earnings for the quarter or year with mixed effects on their stock prices included CPC, down 3% to \$47.4, Sherwin-Williams, down 5% to \$33, Compaq Computer, up 2% to \$26.4 and Owens-Illinois, off 5% to \$60.

In the credit markets, prices fell moderately in the face of a number of negative influences. The price of the 7.50 per cent Treasury benchmark long bond was off 1/2 of a point by late afternoon at 99.28 at which it yielded 7.50 per cent.

### EUROPE

## Frankfurt engulfed by dollar fears

THE DOLLAR continued to dominate trading on European bourses yesterday with key centres proving sensitive to its latest movements and uncertain trend.

Frankfurt was again engulfed by concern that the US currency would fall further, and trading was thin as many investors stayed nervously on the sidelines.

Some blue chips registered sharp falls under foreign selling, and the Commerzbank index dropped 25.7 to 1,762.5.

Worst hit shares included Deutsche Mark, which lost DM 23.50 to DM 722, a session and 12-month low, Daimler-

Lisbon Stock Exchange has seen shares worth Esc 1.4bn (\$9.5m) traded so far this year, double the total value of share trading for the whole of 1985. Turnover for last year was Esc 6.3bn.

The exchange burst into action last year due to official incentives, and the latest figures are attributed to buying interest from investors in Portugal, Britain, the US, Belgium and West Germany. New investment institutions in Portugal are leading the buying spree.

Benz, down a sharp DM 25.50 to DM 997, and Siemens, which shed DM 15 to DM 663 in advance of first-quarter results.

Other banks saw Commerzbank off DM 5 to DM 288 and Dresdner down to DM 360, a loss of DM 7.

The car sector was generally lower, with VW off DM 7 to DM 347 and BMW easing DM 3 to DM 500, while Conti Gummi, the tyre maker, lost DM 1.40 to DM 304.80.

Bonds moved higher, and long-dated issues gained up to 50 basis points on foreign demand but trading was thin. The Bundesbank sold DM 1.8m worth of paper after selling DM 18.4m on Friday.

Amsterdam saw selected stocks move higher in early trading, but share prices generally eased later as the dollar fell slightly and Wall Street opened down.

The ANP-CBS General index was marginally higher at mid-session, up 1.2 at 263.5, when the dollar was briefly firmer against the guilder.

Internationals attracted little buying interest and finished mostly lower. KLM lost 30 cents to Fl 37.60 and Royal Dutch Fl 1 to Fl 213.60, while Unilever was Fl 2 down at Fl 502.50.

Against the trend, paper producer KNP advanced Fl 7.80 to Fl 142.80 after its chairman was quoted as saying sales will double in the medium term.

Zurich was also fairly quiet in anticipation of signs of stability in the dollar, but selective buying took shares mixed to higher.

Among international food-related stocks, Jacobs Suchard added Sfr 100 to Sfr 6,100, and Nestlé was steady at Sfr 9,100.

Engineerings weakened, with Schindler participation certificates down Sfr 45 to Sfr 680, Landis & Gyr Sfr 100 lower at Sfr 1,660, and Brown Boveri off Sfr 50 at Sfr 1,680.

Paris managed to sustain the firmer trend of last Friday when the pick-up in the dollar lifted the mood. The CAC general index added 3.5 to 421.5 in fairly active trading.

Buying was boosted by institutions returning to the market on the assumption that they will receive fewer Paribas shares than expected because of the heavy demand. However, the day's gains were trimmed by Finance Minister Edouard Balladur's weekend forecast of higher January inflation.

Brussels ended mixed to lower on the last day of the trading fortnight. Among lower oils Petrofina was down Bfr 170 at Bfr 9,390.

Most other price changes were small. GB Inno BM, the supermarket chain, added Bfr 14 to Bfr 940 after news that it planned changes in its US operations.

Milan moved lower in dull trading. Montedison edged up L5 to L2.910 following its 8.1 per cent increase in gross operating profit last year.

Stockholm rose on buying by overseas institutions, taking the J & P index up 50.27 to 2,207.14.

Oslo edged higher on bank gains while Madrid was mixed.

### TOKYO

## Road to high signposted with caution

BUYING ENTHUSIASM remained strong in Tokyo yesterday and drove share prices to yet another record, writes Shigeo Nishiwaki of Jiji Press.

The Nikkei average of 225 select issues, which topped 20,000 last Friday for the first time, added 48.54 from Saturday's lower close to a record 20,072.09. Volume totalled 1.09bn shares compared with Friday's 1.22bn. Losses outran advances by 472 to 378, with 134 issues unchanged.

The steady tone of the market reflected investor confidence that brokerage houses will make every effort to keep the market buoyant until the stock of Nippon Telegraph and Telephone (NTT) is listed on the exchanges next Monday.

Nevertheless, investor concern about precariously high prices became evident when the Nikkei indicator began to edge down on profit-taking after gaining 132 points early on.

On the trading floor, Tokyo Electric Power, electric cables and other NTT-related issues were sought before the NTT listing.

Tokyo Electric Power advanced Y140 at one stage to a record Y8,580, surpassing the previous high of Y8,550 reached last December. But it came under profit-taking pressure later to close Y30 lower at Y8,410. Tokyo Gas fell Y10 to Y1,180 while Kansei Electric Power rose Y110 to Y4,400 and Isaka Gas Y28 to Y713.

Among other NTT-related issues, Fuji-kura gained Y24 to Y808 and Iwatsu Electric Y30 to Y885.

Large-capital stocks attracted strong buying interest in afternoon trading. Nippon Steel once again topped the active list with 341.33m shares changing hands. It added Y13 to Y257.

Kawasaki Steel, the second-busiest issue with 36.97m shares traded, ended Y12 higher at Y220. Ishikawajima-Harima Heavy Industries surged Y35 to Y485 and Mizumi Engineering and Shipbuilding Y15 to Y187.

Nikkatsu soared Y46 to Y250, bolstered by speculative buying, with 20.79m shares changing hands.

Blue chips firmed, helped by the yen's weakness against the dollar. NEC added Y50 to Y2,040, Toyota Motor Y50 to Y1,930, Matsushita Electric Industrial Y10 to Y1,910 and Hitachi Y20 to Y1,070.

Conversely, financial issues, which had been a major force in driving the Nikkei average to above 20,000 last week, were on a weak note.

City banks in particular fared poorly,

with Dai-ichu Kangyo Bank and Fuji Bank shedding Y30 each to Y2,700 and Y2,720, respectively. Sumitomo Bank lost Y10 to Y3,320 and Tokio Marine and Fire Insurance Y20 to Y2,170. But securities stocks firmed, with Nikko Securities gaining Y50 to Y2,030.

Also weaker were issues related to the Government's fiscal investment and loan programme, including Taisei Corp and Ohbayashi Corp, which closed Y7 and Y20 lower at Y973 and Y1,020.

Bond prices rose sharply in early trading, supported by dealers' active buying.

The yield on the benchmark 5.1 per cent government bond, due in June 1996, dropped to 4.820 per cent at one stage. Later, however, concern about higher prices mounted, sending the yield up to 4.845 per cent at the close.

### LONDON

DETERMINED BUYING of blue chips by UK institutions sent the London stock market soaring to new peaks yesterday.

Pharmaceuticals again dominated the scene, with Glaxo finding renewed US support.

The market rally began in earnest from the start of trading and found fresh incentive from the firm opening on Wall Street. Most sectors finished the day at their best levels. The FT-SE 100 index jumped 24.5 to a record 1,832.80 while the narrower sister index, the FT Ordinary, sprinted 22.9 to 1,463.9, also a new high.

Engineering and electricals were bought on growing optimism for the outlook for UK exports while a shortage of stock fuelled price rises.

Glaxo jumped 2% to £134 on turnover of 7.2m shares while ICI, benefiting from favourable weekend press comment, added 1% to £134 on 3.3m shares.

Beecham managed a healthy 13p rise to 499p with 3.9m shares changing hands. British Gas was the most active once again: over 27m shares were traded, but the price finished steady at 68 1/2p.

Oil was weaker in this trading as traders pondered the market's vulnerability to election forecasts and currency market developments.

Chief price changes, Page 38; Details, Page 38; Share information service, Pages 36-37.

### CANADA

GOLDS and base metal miners triggered a rally in Toronto that soon spread to other sectors.

Echo Bay Mines traded CS\$ higher to CS\$97 while Campbell Red Lake at CS\$90 was CS\$ stronger. International Corona Resources, however, moved against the trend with a CS\$1 drop to CS\$5.

Among base metal stocks, Noranda and Denison Mines Class B added CS\$ each to CS\$24 and CS\$7, respectively. Industrials proved one of the weak spots in a broadly firmer Montreal.

### HONG KONG

SPORADIC PROFIT-TAKING failed to stem a wave of buying in Hong Kong that took the Hang Seng index 31.97 points higher at 2,585.22. Turnover jumped to HK\$849m compared with Friday's HK\$597m.

Trading resumed in Cathay Pacific and its parent Swire Pacific after the Chinese state-owned China International Trust and Investment bought a 12.5 per cent stake in the airline for HK\$1.94bn. Cathay added 35 cents to HK\$5.95 while Swire jumped 70 cents to HK\$19.90.

Moving against the trend were Hang Seng Bank, down 50 cents at HK\$42, Hongkong Electric 20 cents lower at HK\$12.40 and Hongkong Gas 10 cents off at HK\$22.10.

Properties were strong with Cheung Kong HK\$1 up at HK\$40 and Hongkong Land 5 cents higher at HK\$74.5.

The Hong Kong index rose 17.27 to 1,654.89.

### SINGAPORE

FOREIGN INSTITUTIONAL buying combined with strong local support to push Singapore higher. The Straits Times industrial index closed 18.75 up at 987.77 on improved volume of 26m shares.

Blue chips were in demand again, with Sime Darby the most active with 2.2m shares traded. Sime firmed 15 cents to S\$2.81.

DBS, also active with 1.03m shares traded, added 25 cents to S\$10.20 while United Motor Works gained 8 cents to 60 cents on volume of 1.02m shares.

New Straits Times managed a 30-cent rise to S\$5.80, and Fraser & Neave at S\$9.85 was 15 cents stronger.

### AUSTRALIA

THE WEAKER TREND continued in Sydney on the weaker bullion price, recent domestic interest rate rises and a softer New Zealand market.

Some attempts at recovery were made late in the session although the All Ordinaries index dropped a further 10.1 to 1,488.2.

Among most active issues, WMC dipped 14 cents to A\$5.80, CRA shed 20 cents to A\$6.80 and Aberfoyle, traded ex dividend, fell A\$1.90 to A\$10.00.

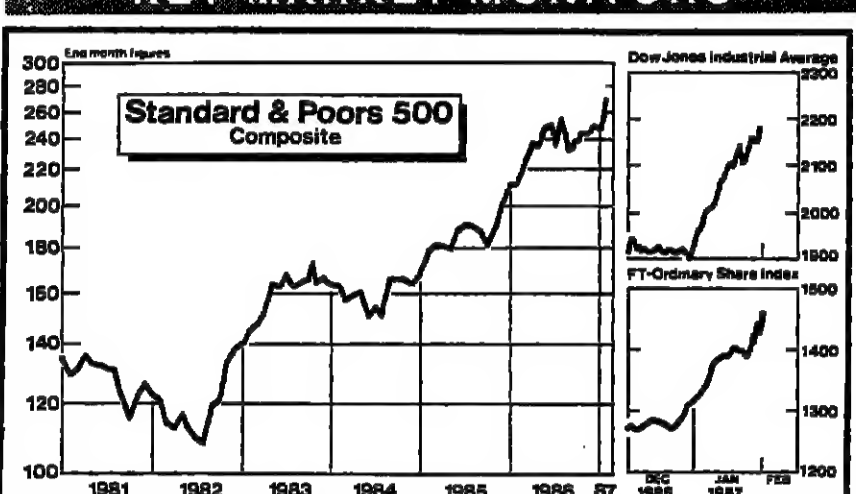
The resource sector saw BHP 4 cents up at A\$9.16 after an early fall to A\$9.08 while Bell Resources dipped 2 cents to A\$4.58.

### SOUTH AFRICA

THE PARTIAL RECOVERY in the bullion price boosted sentiment in Johannesburg and buoyed most sectors.

Among firmer golds, Vaal Reefs added R7 to R417 while Beatrix firmed 50 cents to R17.50. Mining financials mirrored golds, with Anglo American 75 cents ahead at R70.50.

### KEY MARKET MONITORS



NEW YORK	Feb 2	Previous	Year ago
DJ Industrials	2,119.70	2,180.01	1,537.73
DJ Transport	881.86	877.54	232.57
DJ Utilities	225.99	224.81	176.91
S&P Composite	276.45	274.24	211.76

LONDON	Feb 2	Previous	Year ago
FT-SE 100	1,832.80	1,798.1	1,435.0
FT-A All-shares	913.67	899.1	692.74
FT-A 500	1,009.32	990.0	780.81
FT Gold mines	313.5	321.8	344.9
FT-A Long gilt	10.0	10.0	10.67

TOKYO	Feb 2	Previous	Year ago
Nikkei	20,072.09	19,521.03	13,024.3
Tokyo SE	1,762.07	1,731.73	1,041.82

AUSTRALIA	Feb 2	Previous	Year ago
All Ord.	1,488.2	1,513.9	1,075.1
Metals & Mins.	731.8	761.8	539.4

AUSTRIA	Feb 2	Previous	Year ago
Credit Aktien	203.37	212.37	246.10

BELGIUM	Feb 2	Previous	Year ago
Belgian SE	4,044.91	4,046.79	2,840.83

CANADA	Feb 2	Previous	Year ago
Toronto	2,231.3	2,208.0	2,269.0
Metals & Mins	3,378.7	3,350.7	2,842.96
Montreal	1,723.72	1,704.4	1,139.28

DENMARK	Feb 2	Previous	Year ago
SE	—	(u)	2,841.70

FRANCE	Feb 2	Previous	Year ago
CAC Gen	421.50	413.4	(c)
Ind. Tendance	107.70	105.1	167.9

WEST GERMANY	Feb 2	Previous	Year ago
FAZ-Aktien	590.95	(u)	650.30
Commerzbank	1,782.50	1,777.5	1,950.4

HONG KONG	Feb 2	Previous	Year ago
Hang Seng	2,585.22	(c)	1,895.76

ITALY	Feb 2	Previous	Year ago
Banca Com.	704.09	703.62	477.35

NETHERLANDS	Feb 2	Previous	Year ago
ANP-CBS Gen	263.50	259.2	98.0
ANP-CBS Ind	251.80	245.4	240.7

NORWAY	Feb 2	Previous	Year ago
Oslo SE	370.60	371.89	374.72

SINGAPORE	Feb 2	Previous	Year ago
Straits Times	987.77	(c)	607.32

SOUTH AFRICA	Feb 2	Previous	Year ago
JSE Golds	—	2,029.00	1,286.10
JSE Industrials	—	1,528.00	1,089.10

SPAIN	Feb 2	Previous	Year ago
Madrid SE	245.91	—	109.83

SWEDEN	Feb 2	Previous	Year ago
J & P	2,207.14	2,126.43	1,757.86

SWITZERLAND	Feb 2	Previous	Year ago
Swiss Bank Ind	581.50	574.6	566.5

WORLD	Jan 30	Previous	Year ago
MS Capital Int'l	398.1	401.5	259.7

COMMODITIES	Feb 2	Previous	Year ago
(London)	Feb 2	Prev	
Silver (spot fixing)	364.35p	364.00p	
Copper (cash)	£880.00	£872.00	
Coffee (Merch)	£1,617.50	£1,598.50	
Oil (Brent Blend)	\$18.20	\$18.35	

GOLD (per ounce)	Feb 2	Previous	Year ago
London	\$407.00	\$404.375	
Zurich	\$406.55	\$400.25	
Paris (fixing)	\$408.00	\$407.24	
Luxembourg	\$405.00	\$411.25	
New York (April)	\$404.80	\$408.9	

## The Solid Gold Investment

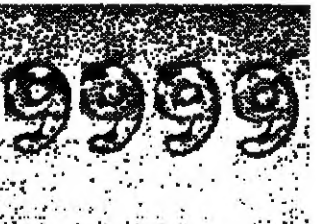


Gold is the one commodity that has long been valued as the basis for sound financial planning. Esteemed for its enduring value, gold is a long-term insurance against monetary, political and social uncertainty. It is held by international bodies, governments, banks, corporations and individuals. Investors are generally advised to include at least 10 percent of gold in a portfolio. Since gold prices most often move independently of paper investments, gold can anchor your more speculative ventures. Around the world gold bullion coins are the most popular investment vehicle for private investors. And Canada's Gold Maple Leaf is the best-selling coin in the world.



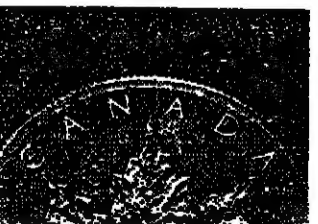
### SOLID GOLD

When you invest in gold bullion, choose the most portable and widely-accepted—Canada's Gold Maple Leaf. To suit your individual investment needs, the Gold Maple Leaf is available in 1 oz., 1/2 oz., 1/4 oz., and 1/10 oz. sizes.



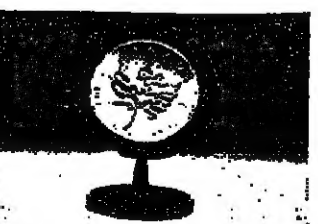
### PUREST GOLD

The Gold Maple Leaf contains a minimum of one troy ounce of 9999 fine gold, no other coin is purer. It has no base metals, which add weight but little value.



### CANADIAN GOLD

The Gold Maple Leaf is produced from gold mined and refined entirely in Canada. The Canadian government guarantees its gold content and gives it legal tender status.



### GLOBAL GOLD

The Gold Maple Leaf is recognized around the world. It can be quickly and easily traded with no costly assay at resale. You will find the Gold Maple Leaf wherever gold is traded—at banks, brokerage houses and coin dealers.



### Canada's Gold Maple